

CANADIAN PACIFIC RAILWAY Ingenuity

2006 corporate profile + fact book





This Corporate Profile and Fact Book should be read in conjunction with CPR's 2005 Annual Information Form and Annual Report. Unless otherwise stated, all figures are quoted in Canadian dollars and are reported under Canadian generally accepted accounting principles ("GAAP").

our company

Canadian Pacific Railway Company and its subsidiaries operate a transcontinental railway in Canada and the United States and provide logistics and supply chain expertise.

We provide rail and intermodal transportation services over a network of approximately 13,600 miles, serving the principal business centres of Canada from Montreal, Quebec, to Vancouver, British Columbia, and the U.S. Northeast and Midwest regions. Our railway feeds directly into the U.S. heartland from the east and west coasts. Agreements with other carriers extend our market reach east of Montreal in Canada, through the U.S. and into Mexico. We transport bulk commodities, merchandise freight and intermodal traffic. Bulk commodities include grain, coal, sulphur and fertilizers. Merchandise freight consists of finished vehicles and automotive parts, as well as forest and industrial and consumer products. Intermodal traffic consists largely of high-value, time-sensitive retail goods transported in overseas containers that can be handled by train, ship and truck, and in domestic containers and trailers that can be moved by train and truck.

CPR earned \$4.3 billion in freight revenues in 2005.

our vision

CPR aspires to be the most fluid railway in North America.

corporate strategy

CPR's objective is to create long-term value for customers, shareholders and employees, primarily by profitably growing within the footprint of our core rail franchise.

We seek to accomplish this objective through the following three-part strategy:

- Generating quality revenue growth by realizing the benefits of demand growth in our bulk, intermodal and merchandise business lines with targeted infrastructure capacity investments linked to global trade opportunities.
- Improving productivity by leveraging strategic marketing and operating partnerships, executing a scheduled railway (our Integrated Operating Plan) and driving more value from existing assets and resources (improving "fluidity").
- Continuing to develop a dedicated, professional and knowledgeable workforce that is committed to safety and sustainable financial performance through steady improvement in profitability, increased free cash flow and a competitive return on investment.

05	Corporate history
08	Executive profiles
10	Governance
12	Overview
14	Assets
14	the network
20	motive power
21	freight car fleet
22	rail yards and intermodal terminals
23	repair facilities
24	Operations: Integrated Operating Plan
27	Information technology
28	Safety
29	Environment
32	Community relations
33	Markets
34	grain
35	coal
36	sulphur and fertilizers
37	forest products
38	industrial and consumer products
39	automotive
41	intermodal
42	Canadian Pacific Logistics Solutions
44	Interline management
47	Human resources
52	Forward-looking Information
53	Glossary

corporate history

Canadian Pacific Railway Company (“CPR”) was initially formed from an effort to physically unite Canada from coast to coast following the nation’s confederation on July 1, 1867.

Canadian Pacific Railway was founded in 1881 to link Canada’s populated centres with the vast potential of its relatively unpopulated west. This incredible engineering feat was completed on November 7, 1885 – six years ahead of schedule – when the last spike was driven at Craigellachie, British Columbia.

BUILDING A NATION

Canadian Pacific Railway was formed to physically unite Canada and Canadians from coast to coast. Canada’s confederation on July 1, 1867, brought four eastern provinces together to form a new country. As part of the deal, Nova Scotia and New Brunswick were promised a railway to link them with the two central Canadian provinces – Quebec and Ontario.

Manitoba joined confederation in 1870. British Columbia, on the west coast, was enticed to join the new confederation in 1871, but only with the promise that a transcontinental railway be built within 10 years to physically link east and west.

The railway’s early construction was filled with controversy, toppling the Conservative government of John A. Macdonald in 1873 and forcing an election. By the time Macdonald was returned to power in 1878, the massive project was seriously behind schedule and in danger of stalling completely. On October 21, 1880, a group of Scottish Canadian businessmen finally formed a viable syndicate to build a transcontinental railway. The Canadian Pacific Railway Company was incorporated on February 16, 1881, with George Stephen as its first president.

The 1881 construction season was a bust and the railway’s chief engineer and general superintendent were fired at the end of the season after building only 211 km (131 miles) of track. Syndicate member and director James Jerome Hill suggested William Cornelius Van Horne was the man who could get the job done.

A rising star in the U.S., Van Horne was lured with a sizeable salary to become CPR general manager and to oversee construction of the transcontinental railway over the Prairies and through the mountains.

Van Horne boasted he would build 800 km (500 miles) of main line railway in his first year. Floods delayed the start of the 1882 construction season, but at season’s end, 673 km (418 miles) of main line and 177 km (110 miles) of branch line track-laying made the vision of a transcontinental link much more of a reality.

On November 7, 1885, the eastern and western portions of the Canadian Pacific Railway met at Craigellachie, B.C., where CPR’s senior director Donald A. Smith drove the last spike. The cost of construction almost broke the syndicate, but within three years of the first transcontinental train leaving Montreal and Toronto for Port Moody, B.C. on June 28, 1886, the railway’s financial house was once again in order and CPR began paying dividends.

GROWTH AND DIVERSIFICATION

By 1889, the railway extended from coast to coast and the enterprise had expanded to include a wide range of related and unrelated businesses.

CPR had been involved in land settlement and land sales as early as September 1881. The company also erected telegraph lines right alongside the main transcontinental line, transmitting its first commercial telegram in 1882. The same year also marked CPR's entry into the express shipment business, with the acquisition of the Dominion Express Company. CPR started building some of its own steam locomotives as early as 1883 and would later build its own passenger cars, making it second only, on the continent, to the Pullman Company of Chicago, Illinois.

CPR had steamships on the Great Lakes in 1883, chartered ships on the Pacific Ocean in 1886 and launched its own Pacific fleet in 1891. CPR got into paddle wheelers in British Columbia's interior in 1893, the B.C. coast in 1901, and the Atlantic Ocean in 1903. The company was also involved in the hotel and tourist trade as early as 1886, after Van Horne suggested setting up a national park system in the Canadian Rockies.

CPR even discovered natural gas on the Prairies, although quite by accident. In 1886, while digging a well to get water for its steam locomotives, CPR crews stumbled across natural gas in what is now Alderson, Alberta. The railway would later use the natural gas to heat and power the station and ancillary buildings.

Through its history, CPR was involved in numerous other ventures including abattoirs, animal husbandry, bus transportation, china and crockery, containers and pallets, forestry, foundries, immigration and colonization, insurance, irrigation, manufacturing, milling and foodstuff, mines and minerals, newsreels, oil, pulp and paper, radio broadcasts, stockyards, supply farms, trucking, waste management, and bottled spring water. In 1942, CPR even took to the skies, amalgamating 10 northern bush plane companies into Canadian Pacific Airlines.

WAR EFFORT

With the outbreak of World War II, the entire Canadian Pacific network was put at the disposal of the war effort. On land, CPR moved 307 million tons of freight and 86 million passengers, including 280,000 military personnel. At sea, 22 CPR ships went to war where 12 of them were sunk. In the air, CPR pioneered the "Atlantic Bridge" – a massive undertaking that saw the transatlantic ferrying of bombers from Canada to Britain.

GROWTH OF A CONGLOMERATE

In the 1950s, CPR chief Norris R. Crump repatriated the company, putting a majority of shares back in the hands of Canadian stockholders. He also presided over complete dieselization of the company's fleet of locomotives and managed a huge expansion into non-transportation sectors, setting up Canadian Pacific Investments in 1962.

Under supplementary letters patent issued July 5, 1971, CPR was named Canadian Pacific Limited and operated in Canada and internationally both directly and through subsidiaries in two main business sectors – transportation and energy. CPR also had major holdings in real estate, hotels and environmental management services.

CPR was continued under the Canada Business Corporations Act of May 2, 1984.

By 1986, Canadian Pacific, as it became known, was Canada's second largest company with \$15 billion in revenue. In addition to Canadian Pacific Railway, the company's subsidiaries included PanCanadian Energy, Fording Coal, CP (later Fairmont) Hotels, and CP Ships.

CPR GETS BACK TO BASICS

As Canadian Pacific grew and diversified, Canadian Pacific Railway began to focus again on its core business under the guidance of its chairman and CEO William Stinson, a fourth-generation CPR railroader.

To capitalize on its refocusing efforts, CPR expanded its rail network in 1990, taking full control of the Soo Line in the U.S. Midwest – a company in which CPR had had a majority interest since the 1890s. The Soo Line had already absorbed the Milwaukee Road in 1985. Three years before, in 1982, the Soo Line bought the Minneapolis, Northfield and Southern (MNS). In 1991, CPR bought the bankrupt Delaware and Hudson Railway (D&H), thus giving CPR access to ports in the U.S. Northeast.

On July 4, 1996, CPR underwent a reorganization under which it became a wholly-owned subsidiary of a new publicly-held company that assumed the name Canadian Pacific Limited ("CPL"). As a result of the reorganization, certain non-rail assets, which included interests in CP Ships Inc., PanCanadian Petroleum Limited, Fording Inc., Marathon Realty Company Limited, Canadian Pacific Hotels & Resorts Inc. and Canadian Pacific Securities Limited, were transferred to and became subsidiaries of the new CPL. CPR was left with its Canadian and U.S. rail assets, which operated under the business name "CP Rail System".

Concurrent with the reorganization, the business name was changed to Canadian Pacific Railway from CP Rail System. During 1996, CPR moved its head office to Calgary, Alberta, from Montreal, Quebec. The move reflected the fact that a large percentage of the company's traffic and revenue is generated in western North America. As a result of the move, senior management is now effectively consolidated in one location (Calgary), rather than the previous five.

EMBRACING AN INDEPENDENT FUTURE

On September 26, 2001, the shareholders of CPL approved an arrangement whereby CPL would distribute to its common shareholders all the shares of newly-formed corporations holding the assets of CPL. Under the arrangement, which became effective October 3, 2001, CPR and its subsidiaries, previously wholly-owned subsidiaries of CPL, were transferred to Canadian Pacific Railway Limited.

Today, Canadian Pacific Railway is a fully independent, public company with shares trading on the major stock exchanges in Toronto and New York.



executive profiles



John E. Cleghorn, O.C., F.C.A.
Chairman of the Board

Mr. Cleghorn is Chairman of the Board and a director of SNC-Lavalin Group Inc., and he is also a director of Molson Coors Brewing Company and Nortel Networks. He is the retired Chairman and Chief Executive Officer of Royal

Bank of Canada and is a member of the Desautels Faculty of Management Advisory Board and Governor Emeritus of McGill University, Immediate Past Chairman and a director of Historica Foundation of Canada, Chancellor Emeritus of Wilfrid Laurier University and a director of the Atlantic Salmon Federation.

Mr. Cleghorn graduated from McGill University with a B. Com. and is a chartered accountant.



Fred J. Green
President and Chief Executive Officer

Fred Green joined Canadian Pacific in 1978 upon graduation from Concordia University's Commerce program. His career at CPR has included a wide variety of assignments over the past 25 years.

After an eight-year progression through Intermodal, Mr. Green became General Manager, Canadian Atlantic Railway and then General Manager, Operations for the Prairies. In 1993, he moved to Toronto to become Vice President responsible for Operations, as well as several Marketing groups. After running CPR's 1996 re-organization, Mr. Green transferred to Calgary and held several vice president positions, including Merchandise, Marketing and Yield and Asset Performance. In 2002, he became Senior Vice President, Marketing and Sales and on January 1, 2004, was appointed Executive Vice President Operations and Marketing. On October 25, 2004, Mr. Green was appointed Executive Vice President and Chief Operating Officer.

On November 1, 2005, he was appointed President and Chief Operating Officer of CPR and on May 5, 2006, he was appointed President and Chief Executive Officer.



Marcella M. Szel
Senior Vice-President,
Marketing and Sales

Marcella Szel has more than 20 years of direct legal experience with CPR in litigation and administrative law. Ms. Szel served as Alberta general and regional counsel for the railway and

other Canadian Pacific Limited families until 1991 when she was appointed to lead the railway's efforts to improve management processes. She became Vice President, Law in 1993 and was appointed Vice President, Marketing and Sales, Bulk in 2004. In 2005, she assumed the additional responsibility for government and regulatory affairs as Senior Vice President, Bulk Commodities and Government Affairs.

Ms. Szel was Chair of the Canadian Chamber of Commerce in 1998. She serves on the Boards of the Council for Canadian Unity, the Esther Honens Foundation and the Association of General Counsel. In 2000, she received Ministerial appointment to the Alberta Provincial Court Nominating Committee. She was appointed to the board of directors of Export Development Canada in May 2005 and to her current position with CPR in January 2006.

Ms. Szel holds Bachelor of Arts and Law degrees from the University of Alberta.



Brian W. Grassby

Acting Chief Financial Officer
and Vice President and Comptroller

Mr. Grassby joined Canadian Pacific Railway in 2001 as Vice President and Comptroller, bringing to the railway more than 20 years of broad-based financial experience. On March 30,

2006, he was appointed Acting Chief Financial Officer.

As Vice President and Comptroller at CPR, Mr. Grassby is responsible for all financial reporting and disclosure, budgeting, accounts receivables, payables, property and equipment accounting as well as financial analysis. Mr. Grassby also has corporate responsibility for implementation and compliance with certain aspects of the Sarbanes-Oxley Act associated with internal controls and financial reporting. Mr. Grassby also is a member of the Disclosure and Management Pension Committees at CPR.

Prior to joining CPR, Mr. Grassby was Vice President Finance for CAE Electronics Ltd, the world's leader in the design and production of commercial and military flight simulators. While at CAE, Mr. Grassby held numerous financial positions, including Treasurer and Controller and Assistant Secretary before becoming Vice President Finance. Mr. Grassby spent considerable time at CAE developing their structured finance capability that financed numerous simulator ventures across the globe.

Prior to CAE, Mr. Grassby worked for Coopers & Lybrand for seven years as an Audit Manager.

Mr. Grassby is a graduate in Commerce from McGill University and is a Chartered Accountant.



governance

At CPR, we take our corporate obligations very seriously. We believe good governance is good business.

CPR has a culture of strong corporate governance and follows leading policies and practices. As a U.S.- and Canadian-listed company, we regularly review these policies and practices to ensure all corporate governance obligations have been met or exceeded and to make changes and improvements where appropriate. Following are some highlights:

BOARD AND BOARD COMMITTEES

- The charters of CPR's Board of Directors and its committees are compliant with current U.S. and Canadian governance requirements and standards and are annually reviewed and amended as appropriate. The charters outline significant responsibilities for the Board and its committees, as well as eligibility criteria for Board and Board committee service.
- CPR has adopted guidelines regarding: director qualification standards and responsibilities; access by directors to management and independent advisors; director compensation; director orientation and continuing education; management succession; and annual performance evaluations of the Board, its committees and individual directors.
- The Board and its Audit, Finance and Risk Management Committee (the "Audit Committee"), Corporate Governance and Nominating Committee and Management Resources and Compensation Committee all meet the independence requirements of applicable U.S. and Canadian laws. Moreover, all members of the Audit Committee meet the financial literacy requirements of applicable U.S. and Canadian laws or stock exchange rules. Four members of the Audit Committee have also been designated as "financial experts" within the relevant U.S. criteria.

AUDIT COMMITTEE

- CPR's Internal Audit department and external auditors report directly to the Audit Committee.
- Subject to laws relating to the appointment and removal of external auditors, the Committee is directly responsible for the appointment, retention, termination, compensation and oversight of the external auditors.
- The Committee meets regularly, in private without management present, with both the external and internal auditors.
- The Committee approves the overall approach to, and processes of, risk management, while the full Board is directly involved in the oversight of risk management strategies and their implementation and monitoring.
- The Committee or its Chairman pre-approves all non-audit services to be provided to CPR by its external auditors either on a case-by-case basis or as part of an annual pre-approval of such services in accordance with a policy adopted by the Committee.
- The Committee has set a clear policy for the hiring by CPR of employees or former employees of the external auditors.
- The Committee reviews and evaluates the lead audit partner of the external auditors and ensures the regular rotation of the lead audit partner, as required by law.

FINANCIAL REPORTING, INTERNAL CONTROLS AND DISCLOSURE CONTROLS AND PROCEDURES

- In 2002, CPR conducted an assessment of its key internal controls and disclosure controls and procedures and developed a quarterly evaluation process involving confirmations of the efficacy of such controls by all key CPR officers. Since then, CPR has been engaged in a more comprehensive review of internal controls over financial reporting in preparation for the initial filing with the U.S. Securities and Exchange Commission in 2006 of a management report on such controls, in accordance with Section 404 of the U.S. Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act"). Such management reports will have to be filed annually by U.S. domestic companies and foreign private issuers with securities listed for trading in the U.S. They must also be attested to by the company's independent auditors.

DISCLOSURE POLICY COMMITTEE

- Prior to the Sarbanes-Oxley Act, CPR had adopted a comprehensive Disclosure and Insider Trading/Reporting Policy and appointed a Disclosure Policy Committee, which reports directly to the Board, to oversee all matters relating to disclosure. The policy is reviewed and updated, as necessary, by the Board. The Committee is comprised of senior legal, financial, business operations, accounting and communications officers. In 2004, the Disclosure Policy Committee

appointed a Communications Sub-Committee whose mandate is to review all significant internal and external corporate communications prior to release for consistency with corporate messaging and compliance with disclosure requirements.

CODES OF ETHICS

- In addition to CPR's long-standing Code of Business Ethics, which applies to all employees and must be reviewed and signed every three years, CPR has implemented a new code of ethics specifically applicable to the Chief Executive Officer and senior financial officers of the Company.

COMPARISON OF CORPORATE GOVERNANCE PRACTICES WITH NYSE STANDARDS, TSX CORPORATE GOVERNANCE GUIDELINES AND PROPOSED NATIONAL POLICY 58-201

- CPR's corporate governance practices and standards are consistent with those set forth in the New York Stock Exchange Standards, the TSX Corporate Governance Guidelines and the Canadian Securities Administrators' proposed National Policy 58-201 titled "Corporate Governance Guidelines".

Standards and guidelines concerning corporate governance will continue to evolve in both Canada and the U.S. CPR is monitoring developments on an ongoing basis. At CPR, we take our corporate governance obligations very seriously.

overview

CPR is one of Canada's oldest corporations and was North America's first coast-to-coast transcontinental railway. From its inception over 120 years ago, CPR has developed into a technologically-advanced Class 1 railway, providing rail and intermodal freight transportation services over a network serving the principal business centres of Canada, the U.S. Midwest and the U.S. Northeast.

CPR's rail assets consist of the Canadian railway division, CPR, and its U.S. rail assets operated by two wholly-owned indirect subsidiaries, Soo Line Railroad Company ("Soo Line") and Delaware and Hudson Railway Company, Inc. ("D&H").

The Company's business is based on funneling traffic from strategic network feeders and connectors onto its high-density, high-quality mainline network. CPR has further extended its network reach by establishing alliances and connections with other major Class 1 railways in North America. This allows CPR to provide competitive product offerings and access to markets across North America including Mexico and, via the Port of Montreal in Quebec and the Port of Vancouver in British Columbia, to markets in Europe and the Pacific Rim, respectively.

In the east, CPR provides a key link between the Port of Montreal and the U.S. Midwest.

In conjunction with international container shipping lines, CPR is an integral part of one of the shortest routes for transporting container traffic between Europe and the U.S. Midwest.

CPR holds a significant market position in the transportation of western Canadian bulk commodities, which account for a large portion of the Company's revenues. In recent years, the Company has also significantly grown its non-bulk freight revenues as a result of strategic partnering and new product offerings.

The Company's freight traffic is organized into three lines of business: Bulk, Merchandise and Intermodal. Through these three lines the Company serves a wide range of customers.

The Company operates some of its businesses through two wholly-owned subsidiaries: Soo Line, a Class 1 railway operating in the U.S. Midwest; and the D&H, which operates via owned track and haulage and trackage rights agreements between eastern Canada and major U.S. Northeast markets in New York, Pennsylvania, and Washington, D.C.

CPR's registered office, executive offices and principal place of business are located at Suite 500, 401 – 9th Avenue S.W., Calgary, Alberta, Canada T2P 4Z4.



principal subsidiary	incorporated under the laws of	percentage of voting securities held directly or indirectly by the Company
Canadian Pacific Railway Company	Canada	100 %
Soo Line Railroad Corporation ⁽¹⁾	Minnesota	100 %
Soo Line Company ⁽²⁾	Minnesota	100 %
Delaware and Hudson Railway Company, Inc. ⁽²⁾	Delaware	100 %

(1) Indirect wholly-owned subsidiary of Canadian Pacific Railway Company.

(2) Wholly-owned subsidiary of Soo Line Corporation.

assets: the network

CPR's 13,600-mile network extends from the Port of Vancouver in Canada's west to the Port of Montreal in Canada's east, and to the U.S. industrial centres of Chicago, Illinois; Newark, New Jersey; Philadelphia, Pennsylvania; Washington, D.C.; and New York City and Buffalo, New York.

CPR's network is composed of four primary corridors: the Western, the Southern, the Central, and the Eastern corridors. These corridors are comprised of main lines, totaling approximately 4,700 miles, supported by feeder lines that carry traffic to and from the main lines.

Of the total mileage on which CPR operates, approximately 9,300 route miles of track are owned, while an additional 4,300 miles of track are jointly owned, leased or operated under trackage rights.

CPR's rail network is standard gauge, which is used by all of the major railways in North America. Continuous-welded rail is used on virtually all of CPR's mainline. Virtually all of our network and primary feeder trackage is 100-pound rail or heavier, suitable for movements of 286,000-pound cars.

CPR uses different train-control systems on different portions of our owned track, depending on the volume of rail traffic. Where traffic is heaviest, we use centralized traffic control ("CTC") signals to authorize the movement of trains. Approximately 3,470 miles of our network are controlled with CTC signals.

Where rail traffic is lightest, we direct train movements by written instructions transmitted electronically and by radio from rail traffic controllers to train crews. In areas of intermediate traffic density, we use an automatic block signaling system ("ABS") in conjunction with written instructions. Approximately 700 miles of our network have ABS in place.

- western
- central
- southern
- eastern
- CPR route
- haulage, trackage or marketing rights
- ★ connections



PRIMARY CORRIDORS

western corridor vancouver to moose jaw

OVERVIEW

CPR's Western Corridor links Vancouver, British Columbia, with Moose Jaw, Saskatchewan, the western Canadian terminus of both CPR's Southern and Central corridors. With service through Calgary, Alberta, our Western Corridor provides the shortest rail route for most bulk products transported from western Canada to the Port of Vancouver. The Western Corridor is also an important part of our highly-competitive service routes between Vancouver and the U.S. Midwest and between Vancouver and central and eastern Canada.

PRODUCTS

The Western Corridor is CPR's primary route for bulk and resource-products traffic from western Canada to the Port of Vancouver for export. CPR also handles significant volumes of import/export intermodal containers and domestic general merchandise traffic.

FEEDER LINES

We support our Western Corridor with three significant feeder lines. The "Coal Route" links the southeastern British Columbia coal deposits to the Western Corridor and to the Port of Vancouver. The "Calgary-Edmonton-Scotford Route" provides rail access to central Alberta's petrochemical industries, natural resources markets and Edmonton, Alberta. The "Pacific Can-Am Route" connects Calgary and Medicine Hat, Alberta, with the Union Pacific Railroad ("UP") at Kingsgate, British Columbia.

CONNECTIONS

CPR's Western Corridor connects with UP at Kingsgate. The Western Corridor also connects with BNSF Railway ("BNSF") at Coutts, Alberta, and at New Westminster and Huntingdon, British Columbia.

YARDS AND REPAIR FACILITIES

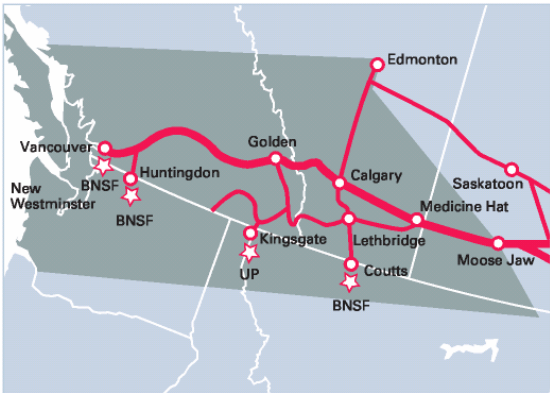
We support rail operations on our Western Corridor with major rail yards at Vancouver, Calgary, Edmonton and Moose Jaw. CPR also has significant intermodal terminals at Vancouver, Calgary and Edmonton, and locomotive and rail car repair facilities at Vancouver, Golden (British Columbia), Calgary and Moose Jaw.

OTHER

The Western Corridor includes the 9.8-mile Mount Macdonald tunnel, which reduces the ruling grade for loaded westbound trains to 1 % through the mountains of British Columbia.

In late 2005, we completed a series of capacity expansion projects in the Western Corridor, costing \$160 million. These projects increased train capacity in the corridor by four trains per day, or 12 %.

- mainline
- collectors and primary feeders
- connections



mainline only (2005) ⁽¹⁾

Track miles	1,075
Average number of trains per day (busiest point) ⁽²⁾	34
Primary traffic categories: grain, coal, sulphur, potash, forest and industrial products and intermodal containers	

(1) Includes track on which CPR has haulage or operating rights.

(2) Excludes passenger trains

southern corridor moose jaw to chicago

OVERVIEW

CPR's Southern Corridor connects with our Western Corridor at Moose Jaw. By running through the twin cities of Minneapolis and St. Paul, Minnesota, and Milwaukee, Wisconsin, south to Chicago, we provide a direct, single-carrier route between western Canada and the U.S. Midwest.

PRODUCTS

Primary traffic categories served on the Southern Corridor include intermodal containers originated at the Port of Vancouver, Canadian fertilizers, chemicals, grain, coal, automotive and U.S. agricultural products.

FEEDER LINES

We support the Southern Corridor with a significant feeder line connecting Winnipeg, Manitoba, and Glenwood, Minnesota. This line is both a gathering network for U.S. grain and a route for Canadian fertilizers and merchandise traffic destined to the U.S.

CPR has operating rights over the BNSF line between Minneapolis and the twin ports of Duluth, Minnesota, and Superior, Wisconsin. This line provides an outlet for grain from the U.S. Midwest to the grain terminals at Duluth and Superior.

CPR has a route from Chicago to Louisville, Kentucky, through a combination of operating rights and owned lines. We handle general merchandise traffic on this route, as well as fertilizer and coal traffic. This route is the subject of a sale to the Indiana Railroad, expected to close in mid-2006.

CONNECTIONS

Our Southern Corridor connects with all major railways at Chicago. Outside of Chicago, we have major connections with BNSF at Minneapolis and at Minot, North Dakota; and with UP at St. Paul. We also link our Southern Corridor to several short line railways that primarily serve grain and coal producing areas in the U.S.

YARDS AND REPAIR FACILITIES

We support rail operations on our Southern Corridor with major rail yards at Chicago, St. Paul and Glenwood. At Chicago, CPR also owns 49 % of the Indiana Harbor Belt Railroad Company, a switching railway serving Greater Chicago and northwest Indiana. CPR has two significant intermodal terminals at Chicago and one at Minneapolis. In addition, CPR has a major locomotive repair facility at St. Paul and car repair facilities at St. Paul and Chicago.

mainline only (2005) ⁽¹⁾

Track miles	1,145
Average number of trains per day (busiest point) ⁽²⁾	28
Primary traffic categories: fertilizers, grain, coal, automotive, industrial products and intermodal containers	

(1) Includes track on which CPR has haulage or operating rights.

(2) Excludes passenger trains



central corridor moose jaw to toronto

OVERVIEW

CPR's Central Corridor extends from Moose Jaw, through Winnipeg to its eastern terminus at Toronto, Ontario. We complement the Central Corridor with a secondary route that is leased and operated by Ottawa Valley Railway that connects Sudbury and Smiths Falls, Ontario, and expedites the movement of CPR traffic between Montreal and western Canada. Our Central Corridor provides shippers direct rail service from Toronto and Montreal to Calgary and Vancouver via our Western Corridor. The Central Corridor also provides access to the Port of Thunder Bay, Ontario, Canada's primary Great Lakes bulk terminal.

PRODUCTS

Major traffic categories on our Central Corridor include grain, coal, forest and industrial products, intermodal containers, automotive products and general merchandise.

FEEDER LINES

We support the Central Corridor with a significant feeder line connecting Edmonton with Winnipeg, through Saskatoon and Regina, Saskatchewan. This line is an important collector of grain and fertilizer.

CONNECTIONS

The Central Corridor connects with BNSF at Emerson, Manitoba, as well as a number of short line railways.

YARDS AND REPAIR FACILITIES

We support our rail operations on the Central Corridor with major rail yards at Saskatoon, Winnipeg, Thunder Bay and Toronto. The intermodal facility in the northern Toronto suburb of Vaughan is our largest, and serves the Greater Toronto and southwestern Ontario area. CPR also operates intermodal terminals at Thunder Bay, Winnipeg, Saskatoon and Regina.

CPR has significant locomotive repair facilities at Winnipeg and Toronto and has car repair facilities at Winnipeg, Thunder Bay and Toronto.

- mainline
- collectors and primary feeders
- haulage, trackage or marketing rights
- connections



mainline only (2005) ⁽¹⁾

Track miles	1,625
Average number of trains per day (busiest point) ⁽²⁾	21
Primary traffic categories: grain, coal, forest and industrial products, automotive and intermodal containers	

(1) Includes track on which CPR has haulage or operating rights.

(2) Excludes passenger trains

eastern corridor montreal to chicago

OVERVIEW

CPR's Eastern Corridor provides CPR with an important link between the major population centres of eastern Canada, the U.S. Midwest and the U.S. Northeast. The Eastern Corridor supports our leading market position at the Port of Montreal by providing one of the shortest rail routes for European cargo destined to the U.S. Midwest. Our Eastern Corridor consists of a route that is owned and maintained by CPR between Montreal and Detroit, Michigan, coupled with a trackage rights arrangement with Norfolk Southern ("NS") over the shortest rail route between Detroit and Chicago, and a long-term rail car haulage contract with CSX that links Detroit with CPR-owned infrastructure at Chicago.

PRODUCTS

Over the Eastern Corridor, CPR predominantly handles intermodal containers, automotive, forest and industrial products, as well as motor-carrier trailers on CPR's fast roll-on/roll-off Expressway service.

FEEDER LINES

Our Eastern Corridor connects with a number of important feeder lines. The route between Montreal and Sunbury, Pennsylvania, in combination with trackage rights over other railways, provides CPR direct access to New York City; Albany, New York; Philadelphia; Newark; and Washington, D.C. The line between Guelph Junction, Ontario, and Binghamton, New York, including haulage rights over the NS, links the southern Ontario industrial region with key U.S. connecting rail carriers at Buffalo, and with the Montreal-to-Sunbury line at Binghamton.

CONNECTIONS

Our Eastern Corridor connects with all major railways at Chicago. We have major connections with NS at Detroit, Buffalo, and at Allentown and Harrisburg, Pennsylvania. We also have major connections with CSX located at Detroit, Buffalo, Albany, Washington D.C., and Philadelphia.

YARDS AND REPAIR FACILITIES

In addition to yards and terminals at Toronto and Chicago, we support our Eastern Corridor with major rail yards at Montreal and Binghamton. We also have intermodal facilities at Montreal and Detroit, as well as a second intermodal facility in Toronto dedicated to serving the Eastern Corridor. We have Expressway terminals at Montreal and Toronto (Milton and Agincourt).

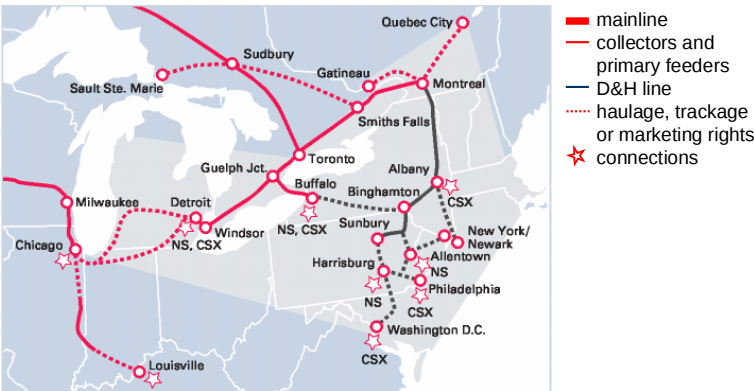
In addition to repair facilities in Toronto and Chicago, we have locomotive and car repair facilities in Montreal and Binghamton.

mainline only (2005) ⁽¹⁾

Track miles via CSX route	901
Track miles via NS route	854
Primary traffic categories: intermodal containers, automotive, forest and industrial products, trailers on Expressway	

(1) Includes track on which CPR has haulage or operating rights.

(2) Excludes passenger trains



INCREASED NETWORK EFFICIENCY

Over recent years, CPR has continued to increase the capacity of its core franchise through targeted corridor-capacity investment programs and has streamlined its rail network through non-core rail divestment initiatives.

route miles (at December 31, 2005, excluding double track)

Mainline corridors

Western ⁽¹⁾	1,075
Southern ⁽¹⁾	1,145
Central ⁽¹⁾	1,625
Eastern ⁽¹⁾	901

Main collectors and primary feeders

Coal Route ⁽²⁾	290
Calgary-Edmonton-Scotford Route	224
Pacific Can-Am Route	396
Winnipeg-Glenwood	327
Minneapolis-Duluth/Superior ⁽¹⁾	170
Chicago-Louisville ⁽¹⁾	317
Edmonton-Winnipeg ⁽²⁾	847
Smiths Falls-Sudbury ⁽¹⁾	305
Montreal-Sunbury	639
Guelph Junction-Binghamton ⁽¹⁾	293

(1) Includes track on which CPR has haulage or operating rights.

(2) To connection with mainline.



DENSITY (2005, millions of gross tons per mile)

motive power

diesel locomotives at December 31, 2005

Owned and long-term leased units

Road freight ($\geq 3,000$ HP)	1,149
Road switcher	269
Yard switcher	251
Short-term leased	0
Total	1,669

road freight locomotive fleet profile (at December 31, 2005)

class	builder	HP	units	avg. age
GP40	GM	3,000	14	39.0
P40 – 2	GM	3,000	16	33.5
SD40 – 2	GM	3,000	414	27.2
SD60	GM	3,800	63	17.1
SD90MAC	GM	4,300	81	6.5
SD90MAC	GM	6,000	4	5.8
AC4400	GE	4,400	497	5.8
ES44AC	GE	4,360	60	0.1
Total			1,149	14.7

Through our investment program to upgrade our locomotive fleet, CPR has acquired high-adhesion alternating current (“AC”) locomotives, including our new ES44 Tier II low emission compliant locomotives. AC locomotives are more fuel efficient and reliable and have superior haulage capacity compared with standard direct current (“DC”) locomotives.

As of December 31, 2005, our fleet included 642 AC traction locomotives. This represents approximately 56 % of our road freight locomotive fleet. The AC locomotives, which now handle about 78 % of CPR’s workload, have improved reliability and service levels. This has resulted in cost savings in fuel, equipment rents and maintenance, while also providing opportunities to rationalize repair and maintenance facilities. With the superior hauling capacity of AC locomotives, CPR has been able to remove 845 older locomotives from service.

In the fourth quarter of 2005, coinciding with the arrival of 60 new AC locomotives, our Warranty Service Agreements (“WSA”) with both General Electric (“GE”) and Electro-Motive Diesel (“EMD”), formerly General Motors (“GM”), now cover approximately 80 % of our active road fleet. Under these service agreements, the original equipment manufacturers (“OEM”) own and manage the parts inventory and manage the ongoing maintenance of their respective locomotives in the CPR fleet using CPR employees. These service agreements guarantee fleet availability and reliability and allow CPR to accurately predict operating and capital locomotive expenses.



freight car fleet

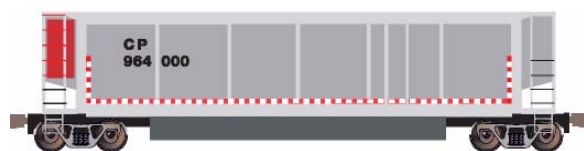
Starting in 1998 and continuing through 2005, CPR undertook a freight car modernization program to fully leverage its track network and locomotive fleet. Specific objectives included: increasing the productivity of each car fleet; reducing CPR's reliance on short-term leasing; and improving customer satisfaction through the introduction of better-designed and higher-capacity cars. As a result of this program, CPR has a more productive and standardized fleet that facilitates heavier car loading, fewer car handlings, and improved load protection. In 2005, CPR took delivery of higher-capacity, stand-alone double-stack Intermodal cars in conjunction with TTX Company and replaced less productive conventional cars. In 2006, CPR plans to replace less efficient rail cars by taking delivery of 750 aluminum coal cars and 500 new, high-capacity covered hoppers.

freight revenue rail car fleet
owned and long-term leased
at December 31

car type	number of cars	
	2005	2004
Covered hoppers ⁽¹⁾	25,900	26,200
Open tops	5,500	5,400
Boxcars	7,100	6,100
Gondolas	3,300	2,900
Flats	3,000	3,000
Intermodal ⁽²⁾	3,600	3,400
Automotive	3,600	3,300
Total	52,000	50,300

(1) Includes 9,000 government cars

(2) Reflects single-well cars replacing 3 and 5 pack cars



COAL CAR

1,250 high-capacity aluminum coal cars.

17 % increase in capacity per train over conventional steel coal train.



ALUMINUM VEHICLE CARRIERS

375 light-weight aluminum multilevel cars.

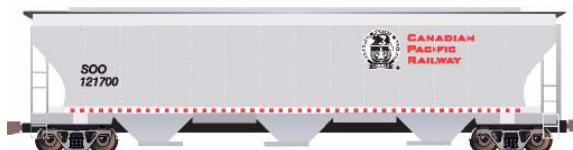
Improved product integrity and reduced tare weight resulting in fuel savings.



STAND-ALONE DOUBLE-STACK WELL CAR

1,000 CP-owned and 5,500 TTX-supplied cars.

25 % increase in train hauling capacity over the former fleet capacity.



COVERED HOPPER

3,100 high-capacity covered hoppers (grain/fertilizer).

11 % increase in capacity over conventional covered hoppers.



GONDOLA

410 high-capacity steel gondolas (steel and concentrate).

33 % increase in capacity over conventional gondolas.



BOX CAR

20 62', 100-ton high-capacity boxcars (pulp and paper).

Specifically designed to minimize product damage and maximize paper loading.



COIL CARS

175 high-capacity transverse coil cars (steel).

New coil steel cars do not require transload facilities and reduce product damage.

rail yards and intermodal terminals

At December 31, 2005, CPR operated a network of 20 intermodal terminals and 13 major classification yards.

intermodal terminals	annual lift capacity	rail yards	daily capacity (number of cars)
Pitt Meadows (Vancouver), British Columbia	264,000	Vancouver, British Columbia	2,500
Calgary, Alberta	220,000	Calgary, Alberta	2,224
Edmonton, Alberta	115,000	Edmonton, Alberta	540
Saskatoon, Saskatchewan	25,000	Saskatoon, Saskatchewan	765
Regina, Saskatchewan	45,000	Moose Jaw, Saskatchewan	1,309
Winnipeg, Manitoba	115,000	Winnipeg, Manitoba	2,400
Minneapolis, Minnesota	100,000	Glenwood, Minnesota	756
Dryden, Ontario	12,000	St. Paul, Minnesota	1,600
Milwaukee, Wisconsin	18,000	Thunder Bay, Ontario	2,679
Bensonville (Chicago), Illinois	135,000	Chicago, Illinois	2,100
Schiller Park (Chicago), Illinois	145,000	Toronto, Ontario	3,000
Detroit, Michigan	98,000	Montreal, Quebec	1,650
Obico (Toronto), Ontario	170,000	Binghamton, New York	700
Vaughan (Toronto), Ontario	664,000		
Lachine (Montreal), Quebec	275,000		
Philadelphia, Pennsylvania	40,000		
Taylor, Pennsylvania	10,000		
Oak Island (Newark), New Jersey	30,000		
Albany, New York	20,000		



repair facilities

CPR has reduced costs by enhancing the efficiency of its repair facilities. We have also improved the reliability of our locomotive fleet by entering into warranty-service agreements that cover all new locomotives and a large percentage of our existing fleet, in which suppliers own parts inventories and are required to meet strict performance commitments. Our locomotive renewal program has led to rationalization of our repair and maintenance facilities.

CPR has eight locomotive repair and servicing facilities located at Port Coquitlam (British Columbia), Calgary, Moose Jaw, Winnipeg, St. Paul, Toronto, Montreal and Binghamton. These facilities perform minor repairs. We perform overhauls and other major work at Ogden Shops, Calgary, which is operated by Alstom Canada, Inc. ("Alstom"). We also have 10 major freight-car repair facilities located in Vancouver, Golden, Calgary, Moose Jaw, Winnipeg, St. Paul, Thunder Bay, Chicago, Toronto and Montreal. We have smaller facilities across the system to service freight cars for specific customer needs.

KEY AGREEMENTS

- In April 2000, CPR entered into an agreement with Progress Rail Services Corporation ("Progress") for the lease and operation of CPR's Weston manufacturing and repair facility in Winnipeg. This agreement has increased productivity and capacity utilization while allowing Progress to provide services to third parties. Under the agreement, Progress is leasing and operating the metal fabrication, track work and wheel shops, along with associated material handling and warehousing.
- In June 2001, CPR entered into an agreement with Alstom for the lease and operation of CPR's Ogden maintenance and repair facility in Calgary. Under the agreement, Alstom acquired the inventory and equipment at Ogden and has a long-term lease on the facility's buildings. Alstom is providing CPR with equipment overhaul and repair services that the railway had previously performed on its own at Ogden.



operations: integrated operating plan

CPR is a scheduled railway, delivering high service quality to its customers and achieving high levels of efficiency

OVERVIEW

CPR plans and manages our scheduled operations through our Integrated Operating Plan ("IOP"). Under the IOP, we schedule trains to run consistently, thereby ensuring that we make connections at intermediate terminals and meet delivery commitments.

We establish a plan for each rail car covering its entire trip from point of origin to final destination. We consolidate cars with similar destinations into blocks. This reduces delays at intermediate locations by simplifying processes for employees, eliminating the duplication of work and helping to ensure fluid rail yards and terminals.

These efficiencies help reduce transit times for shipments throughout CPR's network and increase car availability for customers. The IOP is also designed to create efficiencies by more effectively scheduling employee shifts, locomotive maintenance, track repair and material supply.

The new capabilities of our network, our upgraded locomotive fleet and the IOP provide us with the ability to operate longer and heavier trains. This will reduce associated expenses, simplify the departure of shipments from points of origin and provide lower-cost capacity for growth.

We have implemented the "Service Excellence" suite of state-of-the-art railway operating systems, which provides management with superior information about near-term demand and the availability of resources to meet that demand, as well as detailed shipment trip plans to ensure that we consistently meet customer service expectations. We will also continue to pursue methods to improve the scheduling of trains with other railways and develop systems designed to share information in advance, thereby improving service.

Through these initiatives, CPR has become a scheduled railway that strives to deliver high service quality to its customers and achieve high levels of efficiency through improved asset utilization. We are committed to further improving our scheduled railway operations as a catalyst for continued growth without the need to incur significant future capital expenditures.

PLAN DESIGN AND EXECUTION

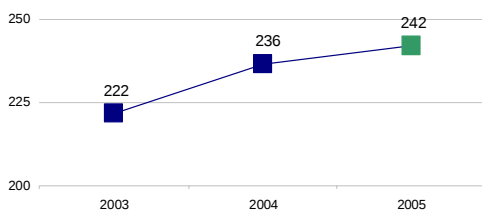
Key to CPR's success has been the innovative and industry-leading use of a service design software tool called MultiRail⁽¹⁾. The Institute for Operations Research and the Management Sciences selected CPR, in partnership with Multimodal Applied Systems Inc., as the winner of the prestigious 2003 Franz Edelman Award. CPR was selected for its work on "Perfecting the Scheduled Railway: Model Driven Operating Plan Development".

(1) MultiRail is a fully-integrated application that allows CPR to refine and evaluate the operating plan strategy. In conjunction with CPR's Marketing and Operations teams, Multirail creates and communicates a balanced plan to accommodate shippers' needs, operational considerations and asset utilization.

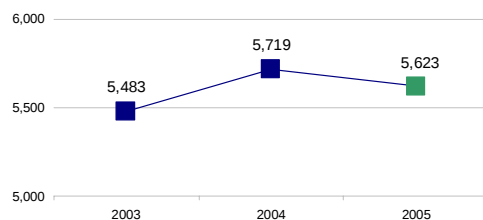
We have modeled the IOP within the MultiRail application using forward-looking traffic data, an approach that CPR believes is unique within the industry. We enter train schedules generated by MultiRail into CPR's Master Train Plan application, a tool used to manage train operations, crew assignments and locomotive distribution. At the same time, we enter shipment management information to ensure that the right shipment gets into the right rail-car block and onto the right train. The trip planning application and the Master Train Plan application work in concert. They manage shipments across the network by continuously updating the trip plan as the car proceeds. We take considerable care in analyzing traffic movements in order to optimize routing, minimize handling, balance train workloads and yard capacities, and meet customer commitments.



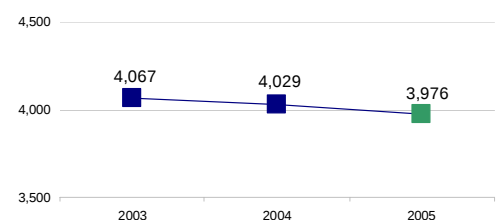
GROSS TON MILES
(BILLIONS)



AVERAGE TRAIN WEIGHT
(TONS)



AVERAGE TRAIN LENGTH
(FEET)



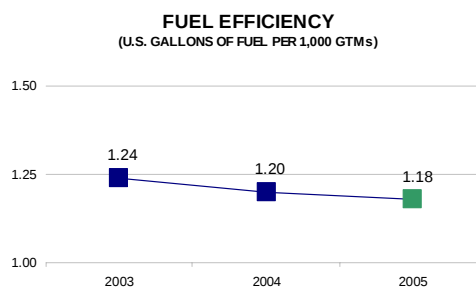
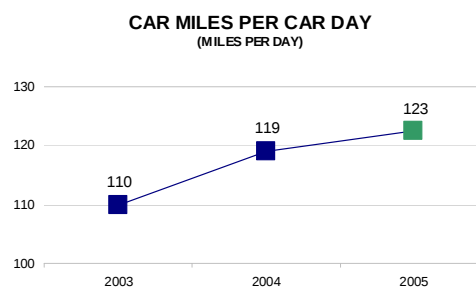
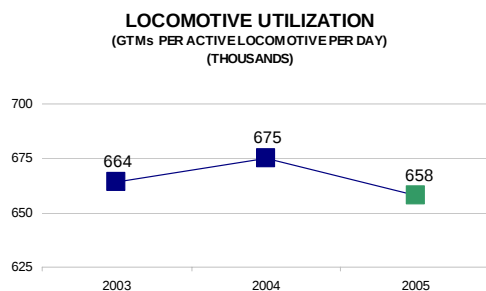
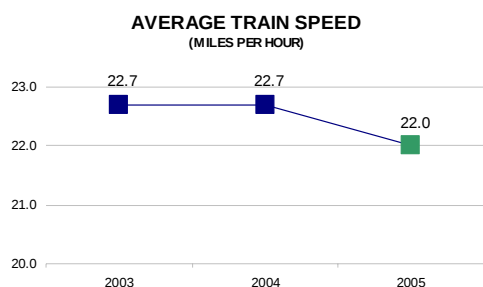
The full integration of the design process with our operation control systems allows us to move from the planning phase into the execution phase quickly and efficiently. This capability allows us to do weekly updates to the IOP to react quickly to changing business conditions and opportunities. CPR believes that this automated feed is also unique in the rail industry.

PLAN REFINEMENT AND PRODUCT DEVELOPMENT

CPR has a continuous focus on plan improvement and product innovation. The success of these efforts can readily be seen in asset velocity and fluidity metrics with the ultimate goal being to improve productivity and our dock-to-dock service for our customers. For example, in late 2003, CPR became the first Canadian railway to implement Locotrol or mid-train power in transcontinental intermodal trains to improve productivity and service consistency. In the past year we have implemented many new products and some examples include the following:

- a U.S. Pacific Northwest shuttle train concept, moving grain from the U.S. Midwest through Canada to Portland, has reduced cycle times by almost 40%;
- a direct train service from key Port of Vancouver container terminals to Chicago and Toronto to improve service, asset velocity and train productivity;
- a direct merchandise train service from Chicago to the U.S. Northeast to improve service consistency and provide for market growth; and
- implementation of co-production arrangements with NS between eastern Canada and Chicago to improve train productivity and service.

CPR continues to refine its IOP with the goal of further driving fluidity in our network and productivity and improving dock-to-dock service for our customers.



information technology

During 2005, CPR completed the implementation of a new yard management system called TYES. Using the waybill, TYES triggers classification instructions at the yard level so that individual shipments are directed towards the right rail-car block, and ensures the right block gets on the right train. Integration of the trip plan with the train planning and yard applications ensures that the instructions issued for each shipment align with the trip plan that we communicate to the customer.

With the implementation of TYES, we have completed the implementation of our Service Excellence suite of new operating systems. Among other uses, these operating systems provide railway management with reports on shipment performance, asset velocity and connectivity, train and yard capacities, and locomotive requirements. Using this data, we are making adjustments to the IOP to achieve specific service and productivity targets and fulfill all design objectives.

In the fourth quarter of 2003, CPR transferred assets to IBM Canada Ltd. ("IBM") as part of a seven-year, \$200-million agreement reached with IBM to operate and enhance CPR's computing infrastructure. The arrangement will reduce CPR's cost over time and allow remaining information technology staff to focus on applications that improve efficiency and service.

A brief description of each of the new operating systems that together make up Service Excellence can be found in the table below.

application	description	completed
MultiRail	uses past and projected traffic patterns to build new train schedules and optimize operating plans	Q1 1999
OASIS	a wireless application that enhances intermodal terminal management, increases terminal capacity and reduces operating costs by optimizing work flow efficiencies	Q4 2000
Order Entry	a system that streamlines the receipt and processing of customer waybill instructions, including over the Internet, thereby enhancing the movement of customers' shipments	Q1 2001
VISTA	produces segment-by-segment trip plans from customers' loading docks to consignees' receiving areas, providing CPR and its customers with virtually real-time information on shipment status and estimated times of arrival	Q2 2001
DELTA	a railcar ordering and order-fulfillment application that provides CPR with improved information on short-term customer demand and assists in determining the lowest cost means of satisfying such demand	Q1 2002
TYES	a rail yard management system that manages shipment connections from train to train	Q2 2005

In addition to its investment in the Service Excellence suite of operating systems, CPR has successfully implemented "SAP", a widely used application providing information on productivity and performance of expenditures and assets.

Safety is a key priority for CPR's management and Board of Directors. We believe safety is good business. Our corporate safety policy emphasizes that no job is so important that time cannot be taken to do it safely.

CPR's Safety and Health Management Committee, established in 1996, provides ongoing focus, leadership, commitment and support for efforts to improve the safety of our operations, the safety and health of all employees, and the safety of communities through which we operate. A bottom-up safety action process, called the Safety Framework, actively involves over 1,000 employees through local health and safety committees. They assess operating conditions and practices, and develop and implement changes where necessary. The work of the local committees is complemented by a top-down planning process led by CPR's Senior Vice-President of Operations. This process includes establishing performance targets and assigning the resources necessary to achieve the targets. We produce a comprehensive corporate safety plan each year. Safety plans are also prepared by each department in Operations, by all Service Areas and by local teams. Additionally, senior union and operating personnel meet regularly to discuss systemic safety issues. There are four Policy Committees in Canada and three Safety Advisory Boards in the U.S. This integrated approach to safety management covers all operating functions, ensures a consistent approach, promotes the sharing of best practices and has sustained CPR's good safety performance over the last several years.

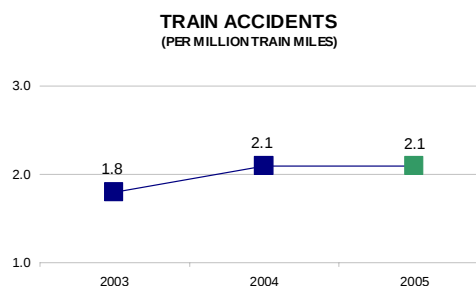
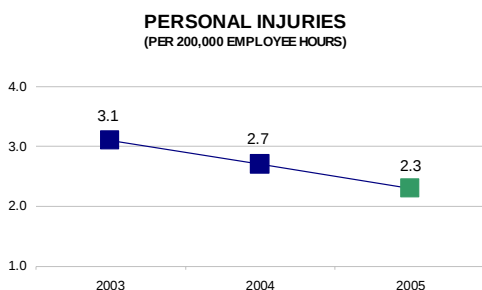
CPR has consistently sustained low U.S. Federal Railroad Administration reportable train accident rates. In 2005, we achieved a rate of 2.1 train accidents per million train miles.

In the area of personal injuries, we have accomplished continued improved performance since we introduced the comprehensive safety program at the end of 1995. For 2005, we achieved a rate of 2.3 injuries per 200,000 employee hours, a significant improvement over the frequency rates of 3.6 in 2004 and 3.1 in 2003.

CPR is also committed to the safety and health of the public. We work in cooperation with Operation Lifesaver® and Direction 2006® to educate the public about the potential hazards of railway crossings at grade and the dangers of trespassing on railway property. Our business practices include consultations with our neighbours and other key stakeholders. We also conduct regular emergency response exercises with communities.

Safety of our customers is also a key concern. CPR has distributed over 15,000 copies of a Customer Safety Handbook. This provides key contacts and critical safety information concerning handling and securing rail cars, loading, facility safety and personal safety. We regularly conduct facility safety audits and provide feedback to our customers.

Our commitment to railway and public safety is reflected in our Responsible Care® partnership. As a partner, we work with other companies to continuously improve standards in handling and transporting chemical products. The Responsible Care® ethic is reflected in our corporate values, policies, business plans and management systems.



Protecting the environment has been a major public issue for several decades. Like many responsible corporations, CPR responded by implementing a comprehensive environmental management system ("EMS"), which uses the ISO 14001 standard five elements – policy; planning; implementation and operation; checking and corrective action; and management review – as described below.

CPR's EMS is flexible and constantly evolving so that it can always meet ever-changing situations and requirements.

POLICY

In 1990, CPR adopted its Environmental Protection Policy. CPR re-committed to the Policy in January 2004. The Policy states:

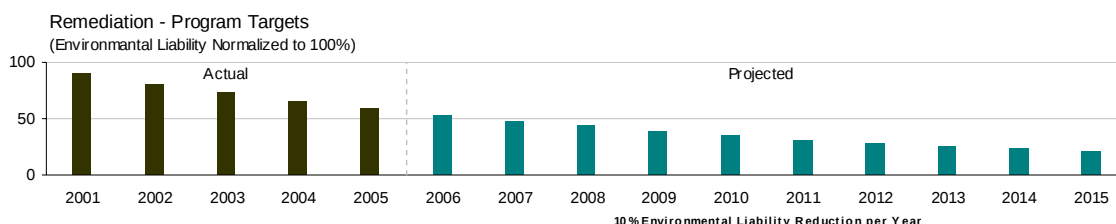
"Canadian Pacific Railway is committed to conducting its operations and activities in a manner that:

- protects the environmental health and welfare of its employees and others who may be affected by its operations and activities;
- protects the natural environment to meet the needs of today without hindering the ability of society to meet future needs;
- meets or exceeds environmental requirements of government applicable to its operations and activities; and
- keeps its employees and the public informed about its environmental plans through communications programs."

In addition, CPR's Environmental Services department develops and implements policies and procedures to address specific issues and facilitate the reduction of environmental risk. Every policy is rolled out with training for employees and a clear identification of roles and responsibilities.

CPR has procedures in place to ensure that we minimize the impact of our operations on ecologically-sensitive areas such as fish habitats and national parks. We continue to focus on preventing spills and other incidents that have a negative impact on the environment. As a precaution, we have established a Strategic Emergency Response Contractor network and located spill equipment kits across Canada and the U.S. to ensure a rapid and efficient response in the event of an environmental incident. We pioneered the contractor network in the U.S. Midwest, where we have been able to respond within three hours anywhere on the 3,200 miles of track in the region. This standard is our target for CPR's entire network. In addition, we regularly update and test our emergency preparedness and response plans to ensure rapid and effective action.

In the early 1990s, we successfully trained more than 2,000 supervisors and 10,000 employees in General Environmental Awareness workshops. Today, we use a modular approach to deliver training. We prepare a training module for each new policy or program that is approved. We use a variety of mechanisms to deliver training, including electronic learning modules, videos and on-the-job assistance.



PLANNING

CPR prepares an annual Corporate Environmental Plan that details CPR's work plan for the coming year. It clearly states CPR's environmental goals and objectives, as well as high-level strategies and tactics. Various departments throughout the Company use the environmental plan to integrate key corporate environmental strategies into their own business plans.

IMPLEMENTATION AND OPERATION

CPR has developed specific environmental programs to address areas such as wastewater, aquatics, air emissions, waste, vegetation management, remediation of historically impacted sites, etc. CPR environmental specialists and/or consultants lead these programs. We allocate resources to these programs to facilitate the achievement of corporate targets of environmental performance.

CHECKING AND CORRECTIVE ACTION

Our environmental audit program comprehensively, systematically and regularly assesses our facilities' compliance with legal requirements and conformance to accepted industry standards and CPR policies. We determine audit scheduling through risk assessment of each facility. We audit each CPR rail yard once every four years.

A team of CPR's environmental professionals, field personnel and recognized third-party environmental audit specialists conduct the audits. Environmental Services coordinates the program.

Upon completing an audit at a facility, the Facility Team – made up of management, Environmental Services and site representatives – implements a comprehensive CPR-developed Corrective Action Plan. We determine appropriate completion timelines based on audit findings ranked according to risk. The Facility Team addresses each audit finding and plans the completion of action items based on CPR's established completion targets. We hold meetings every six weeks to determine the status of each corrective action plan. Senior management and executives review progress reports of these actions quarterly.

In 2000, an external consultant benchmarked our environmental audit program against the programs of Fortune 500 corporations from the automotive, utility and chemical industries. In all cases, the consultant viewed CPR's program, including documentation, to be superior compared to those instituted by the other corporations.

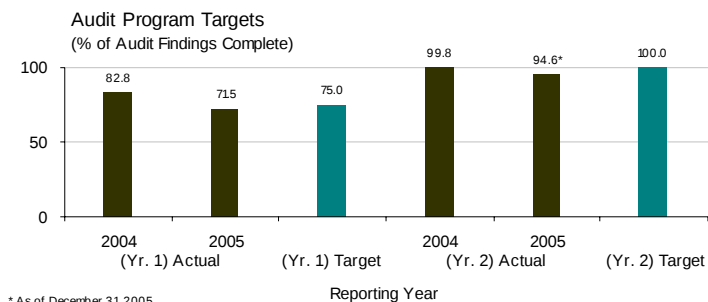
MANAGEMENT REVIEW

CPR's Board of Directors has established an Environmental and Safety Committee that semi-annually conducts a comprehensive review of environmental issues. An Environmental Lead Team, which is comprised of senior leaders of Real Estate, Legal, Finance, Operations, Supply Services and Environmental Services, meets quarterly to review environmental matters.

CPR has taken a proactive position on the remediation of historically impacted sites. In 1995, CPR recorded a provision of \$144 million, before tax, to cover anticipated expenditures on environmental remediation programs. The Company re-evaluated its environmental liability needs in 1999 and, as a result, it increased expected remediation costs by \$50 million, before tax. In the fourth quarter of 2004, CPR recorded a charge of \$102 million, before tax, to recognize environmental liabilities previously unknown or inestimable. This includes a special charge of \$91 million for costs associated with investigation, characterization, remediation, and other applicable actions related to environmental contamination at a property in Minneapolis, Minnesota, which includes areas previously leased to third parties.

On August 9, 2005, a Settlement Agreement regarding the above-mentioned property was executed between Soo Line Railroad Company and Ashland Inc. with CPR acting as guarantor for Soo Line Railroad. CPR will remain responsible for areas at the Minneapolis property that have been determined to be attributed to historical uses of the property by CPR for railroad activities. The settlement resulted in an overall reversal in CPR's special charge of approximately US\$28.6 million.

CPR spent approximately \$33 million in 2005 for environmental management. Of this amount, we spent \$11 million on ongoing operations, \$5 million on capital program upgrades and \$17 million (including a credit of \$4 million from the settlement referenced above) on the remediation program.



RESPONSIBLE CARE ®

CPR became a Responsible Care ® partner of the Canadian Chemical Producers Association ("CCPA") in 1998 and of the American Chemistry Council ("ACC") in 1999.

Responsible Care ® is a chemical industry initiative that involves a public commitment by chemical manufacturers and their partners to:

- improve their environmental, health and safety performance;
- listen and respond to public concerns;
- assist each other to manage risks and achieve optimal performance; and
- report goals and progress to the public.

As a CCPA partner, CPR is required to undergo mandatory verifications every three years for its commitment to continuously improve its environmental, health and safety performance and community outreach efforts. CPR successfully completed its first verification in June 2002 and has been granted "Responsible Care ® practice-in-place" status.

The verification report states that verifiers were "impressed with CPR's excellent grasp of Responsible Care ® and the commitment of the extensive list of people interviewed". CPR was successfully re-verified in 2005.

The ACC has recently made Responsible Care ® verification mandatory for all member and partner companies. CPR is working with the ACC's Transportation Partner group to develop protocols for verification.

SOCIAL RESPONSIBILITY

In 2006, CPR published its fourth Social Responsibility Report, which reported on environmental, health, safety and community performance during 2005. We have made a commitment to publicly report on performance annually. The report is available in the "General Public" section of our website at www.cpr.ca.

CPR was awarded the 2005 Globe Award for Excellence in Brownfield Redevelopment for the redevelopment of the former Angus Shops in Montreal. The 230-acre site had previously housed a large railway industrial complex. With the closing of Angus Shops in 1992, CPR changed gears and embarked upon a project to remediate the site and work with local and provincial governments, citizen groups, architects and builders to develop a new, vibrant community with parks, residential housing and commercial enterprises. This project was recognized for its creativity in both meeting local needs and realizing the tremendous economic potential of well-planned redevelopment of brownfields in an urban setting.

CPR also won the 2005 Railway Association of Canada Award for Environmental Excellence for its state-of-the-art, automated coal re-spray facility near Salmon Arm, British Columbia, halfway between the coal mines and the Roberts Bank deep-sea port near Vancouver. This one-of-a-kind facility has resulted in a noticeable reduction of fugitive dust along the rail route. Chemical reclaim and reuse at the site has proven to be both an environmental and cost-reduction success.



community relations

CPR's community relations program includes initiatives that encourage consultation and regular dialogue with over 900 communities along CPR's tracks. In many cases, this open dialogue approach has helped build understanding and trust between the railway and these communities and paved the way for commercial development and necessary operating changes while, at the same time, reducing the need for costly and time-consuming intervention by courts and regulators.

At the heart of the program is CPR's network-wide Community Connect Line. The service identifies and responds to emerging community issues before they begin to affect operations, infrastructure, or planned commercial projects. The toll-free phone line (1-800-766-7912), combined with Internet-based access, gives the public a fast, effective, centralized means of reaching CPR on issues ranging from operating procedures to noise and adjacent-property concerns.

Both CPR and the communities in which we operate benefit when disagreements are resolved without expensive and often divisive intervention by regulatory bodies or the courts. The Community Connect Line enables CPR to monitor issues through to resolution and to collect valuable data on how railway operations affect communities.

As well as the Community Connect Line, CPR is using various problem-solving tools to address issues that might otherwise be escalated to third parties. Among these is our local dispute-resolution model that emphasizes early and ongoing dialogue with community-based stakeholders with the objective of finding mutually agreeable solutions. In 2005, CPR used the model in numerous community settings. As a result of its ongoing success, the model has been accepted as a best practice by the Canadian rail industry and the Federation of Canadian Municipalities.

To continue building CPR's reputation as a responsible and constructive neighbour, Community Advisory Panels (CAPs) have been established in more than 14 key communities where the railway plays a significant role in local life. CAPs, with representatives from municipal government, local CPR managers, local members of the community and, occasionally, adjacent customer operations, serve as a forum for addressing rail-related issues such as safety, new facility construction, traffic and noise concerns, and incident recovery. We have used CAPs and other forms of community consultation in facilitating major projects such as the 2005 western capacity expansion program, expansion of our Vancouver intermodal facility and re-construction of our Lachine (Quebec) Terminal and annex.

The Canadian Pacific Charitable Foundation closed in 2001 as part of the CPL spin off, thus giving CPR an opportunity to build a community investment program more closely aligned to our specific business goals. In 2002, we launched our new, cross-border community investment program called Community Connect. The program is focused on three primary areas: community; safety; and the environment. We have established long-term partnerships with selected charitable organizations on both sides of the Canada-U.S. border. CPR's Community Connect partners include the Canadian Association of Food Banks (Holiday Train), the United Way and the Breakfast for Learning program, which promotes nutrition among school children. In each of these areas, CPR strives to ensure that projects funded through the Community Connect program are meaningful to and include the participation of employees, customers and community stakeholders. Community Connect, which also includes safety and environmental projects, will continue to evolve to reflect the goals and priorities of CPR and the development needs of communities along our network.


communityconnectline
1. 800. 766. 7912

markets

During 2005, CPR earned \$4.4 billion in freight revenue by serving a broad range of customers from diverse industries.

CPR organizes its freight traffic into three business groups based on the service and equipment requirements of our customers – Bulk, Merchandise and Intermodal. In 2005, approximately 45 % of our freight was bulk, 28 % merchandise and 27 % intermodal.

BULK GROUP

CPR's bulk business is comprised of grains, coal, sulphur and fertilizers. Given the large volumes and long distances over which they are carried, the utilization of rail is essential to the marketing of these commodities. The large quantities shipped make it beneficial for CPR to offer single-commodity train service to our bulk customers.

MERCHANDISE GROUP

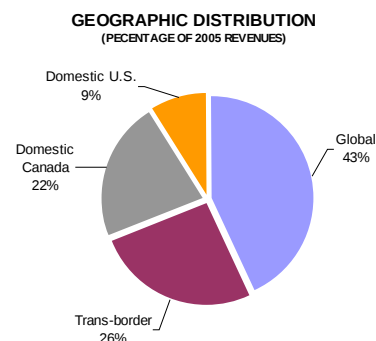
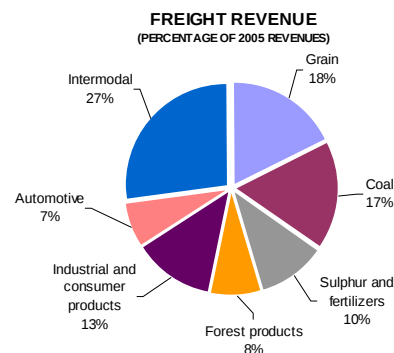
CPR's growing merchandise business is comprised primarily of automotive, forest and industrial products. Automotive freight has two components – finished vehicles and parts. Forest products traffic includes commodities such as lumber, newsprint, wood pulp and paper, wood panel board and fibreboard. CPR's industrial products business includes the transport of chemicals, plastics, aggregates, mines, minerals, metals, steel and energy. Merchandise traffic is non-homogeneous, complex and modally-competitive. Merchandise movements utilize mixed trains comprised of a variety of car types and involve the delivery of products to many different customers at a variety of destinations.

We move considerable merchandise volumes through a network of truck-rail transload facilities managed by Canadian Pacific Logistics Solutions ("CPLS"). Through CPLS, simplified logistics solutions are tailored to resolve complex customer supply chain issues.

INTERMODAL

CPR's domestic intermodal freight business is comprised primarily of manufactured consumer products moving in containers. In Canada, the majority of domestic intermodal service is delivered on a direct-to-retailer basis with CPR providing door-to-door delivery. In the U.S., CPR's domestic intermodal service is delivered mainly through wholesalers.

International intermodal freight involves the movement of marine containers to and from ports and North American inland markets. CPR is a major carrier of rail containers moving via the ports of Montreal and Vancouver.



grain

CPR'S GRAIN MARKET

The grain moved by CPR consists of both whole grains, including wheat, corn, soybeans and canola, and processed products such as canola meal, vegetable oil and flour. Our grain business is centred in two key agricultural areas: the Canadian Prairies (Alberta, Saskatchewan and Manitoba) and the Northern Plains states of North Dakota and Minnesota.

Western Canadian grain is primarily shipped west to the Port of Vancouver and east to Thunder Bay for export. Grain is also shipped to the U.S. Midwest and to eastern Canada for domestic consumption.

U.S. originated grain traffic is shipped to export ports by CPR via Duluth, Minnesota, and Superior, Wisconsin. Through our partnership with other railways, CPR also moves grain to export terminals in the U.S. Pacific Northwest and the Gulf of Mexico. Grain destined for domestic consumption moves east over the Chicago gateway to the U.S. Northeast or is interchanged with various carriers to the U.S. Southeast, Pacific Northwest and California markets.

MaxTrax, CPR's order-fulfillment system for Canadian grain has improved the planning and efficiency of grain movements in the majority of CPR's corridors. Notably, over 80% of the grain moved by CPR is shipped in multi-car blocks. The suite of MaxTrax products has resulted in more efficient operations by improving asset utilization and cycle times.

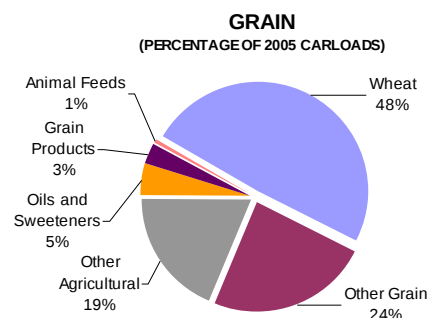
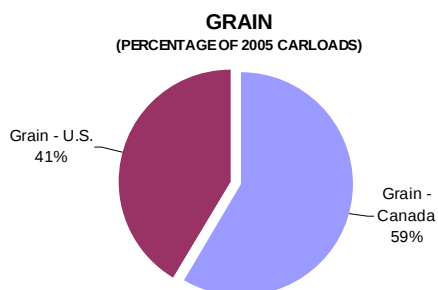
GRAIN LEGISLATION IN CANADA

Since 1897, railway rates for the movement of grain in western Canada have been subject to special legislative provisions. These provisions apply to defined commodities and origin/destination pairings set out in the Canada Transportation Act. The revenue formula included in the Act is indexed annually to reflect changes in the input costs associated with moving grain destined for export markets.

OUTLOOK

In Canada, grain production for the 2005/2006 crop year (which ended on July 31st, 2006) was slightly above the 48 to 49 million metric tons that the industry considers a normal crop size. Increased production levels are expected to drive strong export demand for the first half of 2006. On the U.S. side, production for the 2005/2006 crop was strong, with bean and corn production at record levels in North Dakota. In Canada and the U.S., we are planning for the 2006/2007 crop production to be within normal levels.

Supply for grain is affected by a number of factors including weather and related production levels, prices, government subsidy programs and legislation. Demand is also impacted by the trade credit situation in specific countries, the relative currency fluctuations of producer countries and vessel rates. The major factors expected to impact 2006 are the import demands from China, growing conditions in Brazil for soybeans, European Union grain export policy, growing conditions in other major wheat producing countries, and the Canadian/U.S. exchange rate.



coal

CPR'S COAL MARKET

Most of the coal handled by CPR is metallurgical coal destined for export through the Port of Vancouver for use in the steel-making process in the Pacific Rim, Europe and South America.

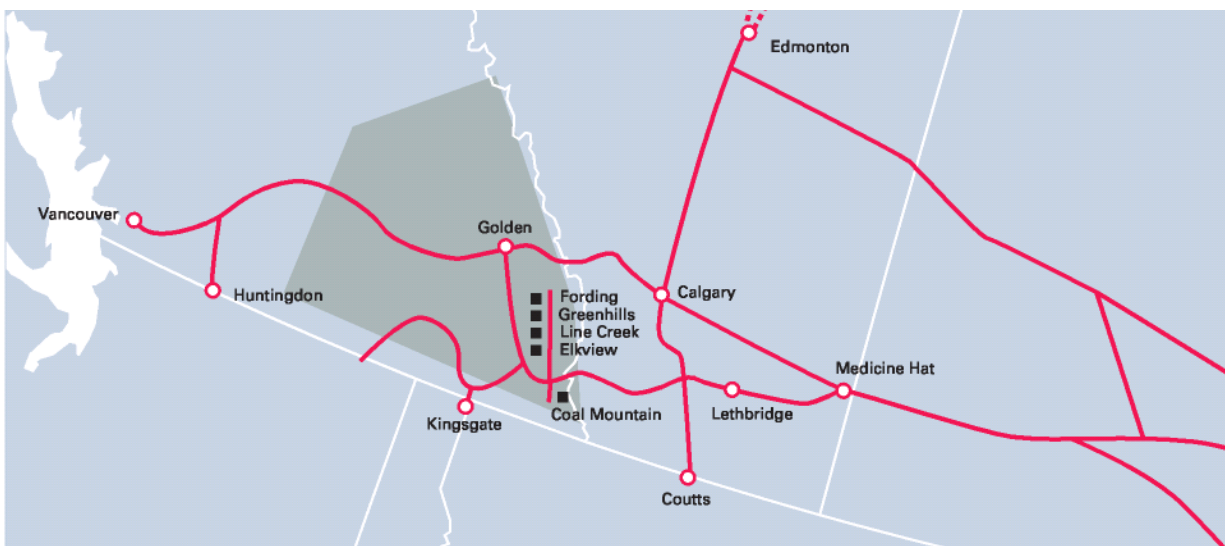
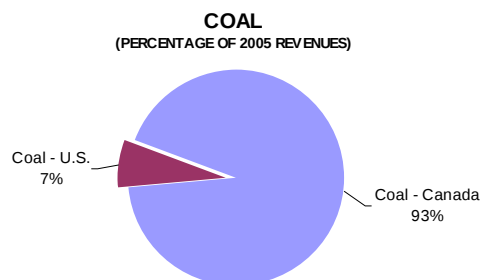
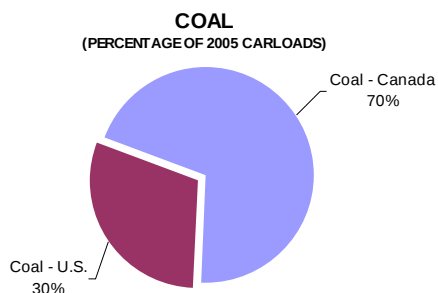
Our Canadian coal traffic originates mainly from southeastern British Columbia coal mines, which are considered to be among the most productive, highest-quality metallurgical coal mines in the world. CPR moves coal west from these mines to port terminals for export to world markets and east for consumption by steel mills along the Great Lakes.

In early 2003, the Elk Valley Coal Partnership ("EVC") was formed, combining the five metallurgical coal mines served by CPR in the Elk Valley, previously owned by TeckCominco, Fording and Luscar Consol, creating a strong global competitor capable of supplying well in excess of 25 million tonnes annually to the international steel industry. The new company is the world's second largest producer of high-quality metallurgical coal for export

Our U.S. coal traffic is primarily thermal coal from the Powder River and Illinois Basins used by power generating plants. Our U.S. coal business also includes petroleum coke shipments to power-generating facilities.

OUTLOOK

The outlook for the Canadian coal industry remains favourable, with tight markets due to increasing global demand. However, CPR's coal shipments are largely impacted by EVC's production levels. EVC is experiencing a short-term supply issue related to a global shortage of tires for trucks used to haul coal at mines that could directly impact shipments for 2006. CPR does not believe that this alters the strong medium-to-long-term fundamentals for metallurgical coal in world markets.



sulphur and fertilizers

CPR'S SULPHUR MARKETS

Most sulphur produced in Alberta is a byproduct of processing sour natural gas, refining of crude oil and upgrading bitumen produced in the Alberta oil sands. Sulphur is a raw material primarily used in the manufacturing of sulphuric acid, the most common industrial chemical in the world. Sulphuric acid is most extensively used in the production of phosphate fertilizers, and as the world demand for fertilizers increases, the demand for elemental sulphur follows. Sulphuric acid is also a key ingredient in industrial processes ranging from smelting and nickel leaching to paper production.

Alberta's oil and gas industries produce over eight million tonnes of sulphur annually. CPR transports approximately half of the sulphur that enters international markets from Canada and is the leading transporter of formed sulphur from gas plants in southern Alberta to the Port of Vancouver. The two largest shipping points in southern Alberta are Shantz and Waterton and both are located on CPR. Currently, our export traffic is mainly destined to China, Australia and the U.S. In addition, CPR transports liquid sulphur out of Scotford, which is one of the largest oil sands projects in the Edmonton area, and from other origins to the southeastern and northwestern U.S. for use in the fertilizer industry.

All of CPR's export sulphur traffic moves in highly-efficient, single-commodity unit trains.

OUTLOOK

The industry has seen strong sulphur prices throughout 2005 resulting from strong demand, particularly in the offshore market. It is projected that this segment will continue to grow, driven by continued growth in China.

CPR'S FERTILIZER MARKET

CPR's fertilizer traffic consists primarily of potash and chemical fertilizers. Our potash traffic moves mainly from Saskatchewan to markets in the U.S. and to offshore markets through the ports of Vancouver, Thunder Bay and Portland, Oregon. Chemical fertilizers are transported to markets in Canada and the northern half of the U.S. western region from key production areas in the Canadian prairie provinces. Phosphate fertilizer is also transported from U.S. and Canadian producers to markets in Canada and the northern U.S.

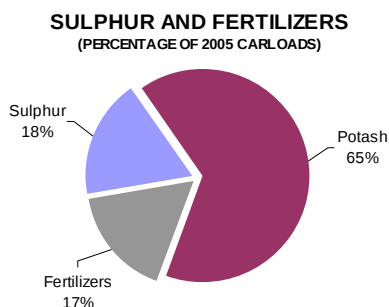
CPR provides transportation services from major potash and nitrogen production facilities in western Canada and has the most efficient routes from Canadian production areas to major U.S. markets. We also have direct service to key fertilizer distribution terminals such as the barge facilities on the Mississippi River system at Minneapolis-St. Paul and in the Louisville, Kentucky, region, as well as access to Great Lakes vessels at Thunder Bay.

OUTLOOK

A number of factors affect demand for fertilizers, including farm income, government subsidy programs, area of crops planted, fertilizer prices and weather at time of planting. For North American potash demand, an influential factor is the area of U.S. corn acreage planted since corn is a crop that utilizes relatively large amounts of all the fertilizer nutrients. Although corn and soybean plantings are at record levels, low corn prices and high feedstock costs could soften demand for domestic fertilizer.

Export potash volumes are influenced by similar factors but are also influenced by improving diets in developing nations. Growth in this market sector is supported by Chinese and Indian GDP growth, which is largely influenced by better diets and increased farm input.

Nitrogen fertilizer prices are strongly related to the price of natural gas feedstock, which in North America has had a large element of volatility. This has put pressure on North American producers, causing some shutdowns. However, plants located on CPR lines in western Canada remain some of the most efficient and competitive production facilities on the continent.



forest products

CPR'S FOREST PRODUCTS MARKET

CPR carries a variety of forest industry products including wood pulp, paper, paperboard, newsprint, lumber, panel and Oriented Strand Board ("OSB") moving from key producing areas in British Columbia, northern Alberta, northern Saskatchewan, Ontario and Quebec to destinations throughout North America.

Through the use of CPLS transload facilities and short line connections, we have been able to extend our franchise into large-scale lumber producing areas to position CPR for significant gains in origin and destination market reach in the forest products industry.

A major CPR advantage is the extensive modernization and expansion of its pulp, paper, OSB boxcar and centrebeam fleets. Heavier payloads and fewer cars have generated productivity improvements and reduced damage. CPR is an industry leader in developing safe loading and unloading practices for rolled paper products.



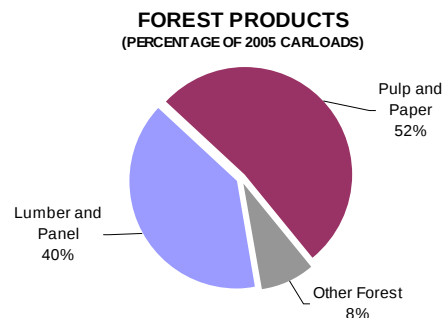
OUTLOOK

In general, global forest products demand is a function of population growth and increased standard of living, and these factors are predicted to drive up world consumption significantly. Continued global economic expansion, particularly in the Asia-Pacific region, is forecasted to drive Canadian export growth.

Housing construction is a critical demand driver. North American housing starts are expected to decline slightly due to an anticipated rise in interest rates. However, increasing house sizes, as well as home renovation activity that tends to pick up when housing starts decline, will have an offsetting impact. In addition, it is expected that the recent hurricane impacts will spur rebuilding activities.

Pulp and paper demand is affected by print advertising and circulation levels, as well as consumption rates for packaging and new value-added products. While this market is soft, CPR has inherent strength in our products and in the diverse markets we serve. Almost half of our pulp business originates from mills served by CPR in the British Columbia interior for export through Vancouver. Western Canadian pulp is in strong demand in international markets due to its quality and fiber strength. We are anticipating steady shipments in 2006.

Government regulation, environmental climate change policies, and tariff actions and trade policy can have a marked impact on costs for Canadian forest products, as evidenced by the Canada-U.S. softwood lumber dispute.



industrial and consumer products

CPR'S INDUSTRIAL PRODUCTS MARKET

CPR's industrial products traffic includes an array of commodities grouped as chemicals, plastics, aggregates, mines and metals, steel and energy-related products.

Our industrial products traffic is widely dispersed throughout North America, with large bases in Alberta, Ontario, Quebec and the U.S. Midwest. The location of mines, steel mills and aggregate facilities adjacent to CPR rail lines provides for the convenient shipment of a diverse group of industrial products for a wide range of customers. CPR transports the products to destinations throughout North America and to ports for import and export. We also participate in the movement of products from the U.S. to Canadian destinations, including chemicals originating in and around the Gulf Coast and destined to points in eastern Canada.

In conjunction with Class 1 connections, CPR offers the shortest route connecting the U.S. Gulf Coast and the Alberta petrochemical markets. In addition, our large number of cross-border gateways in western Canada provide CPR customers with the most direct rail access to markets in the western U.S. and the Chicago hub.

Opportunities exist to work with CPLS to utilize their strength in transloading, supply chain management and industry-leading tracking and tracing programs to expand participation across our industrial products segment.

OUTLOOK

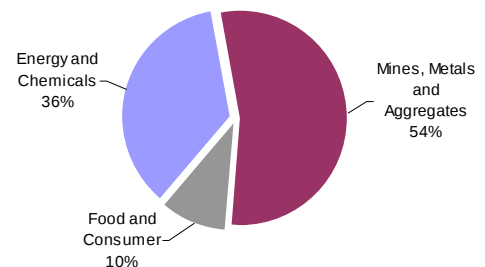
CPR's industrial products business is driven by the Alberta petrochemical and energy industry. Oil and gas prices are expected to remain strong in 2006 and Alberta drilling activity is forecast to be at record levels. This will result in increased steel and aggregate shipments. Pipe for pipeline projects is also expected to grow in 2006.

Chemicals covers a diverse group of commodities with various demand drivers, but all share a reliance on growth in the industrial production and construction sectors. Our chemicals business is mature and stable. CPR is aligned with the larger customers and serves the major chemical complexes in western Canada. Traffic volumes are expected to grow by GDP rates in 2006.

On the energy side, northern Alberta oil sands development holds substantial inbound and outbound opportunities. We have an array of reload operations in Edmonton and serve the main refineries and storage compounds, enabling growth prospects. Our energy sector is strong and we expect to leverage our network advantage and customer partnerships into volume and revenue growth into 2006.



INDUSTRIAL AND CONSUMER PRODUCTS
(PERCENTAGE OF 2005 CARLOADS)



automotive

CPR'S AUTOMOTIVE MARKET

CPR's automotive traffic encompasses the transport of domestic, import and pre-owned vehicles and automotive parts.

CPR transports finished vehicles from U.S. and Canadian assembly plants to the Canadian marketplace, and throughout North America via major interchanges at Detroit, Chicago and Buffalo. We utilize a comprehensive network of automotive compounds to facilitate final delivery of vehicles to dealers throughout Canada, the U.S. upper Midwest and the U.S. Northeast.

At the Port of Vancouver, CPR is the leading carrier transporting import finished vehicles to markets in eastern and western Canada.

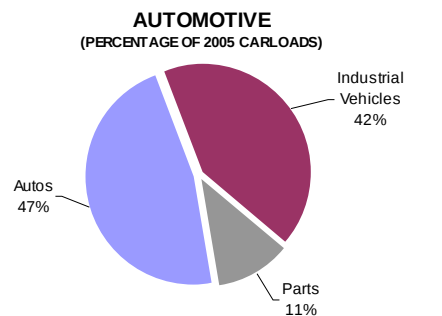
CPR is the primary rail carrier serving the Honda and Toyota plants near Toronto and Ford's plant in St. Paul. We handle all of DaimlerChrysler's Canadian finished vehicle distribution and participate in both Canadian-destined and U.S.-destined traffic from GM-Oshawa and Ingersoll in Ontario.

CPR also has a growing business in transporting personal vehicles and pre-owned vehicles for resale. In addition to finished vehicles, CPR is the primary rail carrier for rail inbound parts destined for GM-Oshawa and Ford-St. Paul in Minnesota.

CPR has established strong relationships with automotive industry leaders on the basis of our performance in the key areas of reliable on-time delivery, customer service, damage protection, account management and auto compound operations. Our utilization of advanced equipment and loading techniques has led to a reduction in costs, transit times and product damage.

OUTLOOK

Total North American automotive sales are expected to remain relatively flat in 2006 as potential closures on the domestic side could have a negative impact on volume. However, CPR is well positioned due to its strong partnerships with Toyota and Honda. CPR is expected to benefit as both of these companies grow sales and market share.



AUTOMOTIVE FACILITIES

CPR accesses a network of automotive compounds facilitating final delivery of vehicles to dealers throughout Canada, Minnesota and the U.S. Northeast. CPR also provides rail service to auto assembly plants in Ontario, Quebec and Minnesota. Expansion of our Toronto and Minneapolis auto compounds enables operational efficiencies for inbound and outbound traffic. CPR has successful relationships with Honda and Toyota for the exclusive service of their Canadian assembly plants.

auto compounds ⁽¹⁾

automotive bays

Montreal, Quebec (St. Luc)	6,000
Toronto, Ontario (Agincourt)	6,600
Cottage Grove, Minnesota	4,300
Calgary, Alberta	2,300
Windsor, Ontario (EC Row)	1,900
Winnipeg, Manitoba	1,500
Windsor, Ontario (DaimlerChrysler)	1,200
Regina, Saskatchewan	500

⁽¹⁾ CPR has access to seven other auto compounds: Vancouver; Edmonton; Saskatoon; Thunder Bay; Quebec City, Quebec; Saint John, New Brunswick; and Philadelphia.

2005 Canadian plant sourcing	plant served	models produced
GM		
Oshawa – “#1”	Ontario	Impala, Monte Carlo
Oshawa – “#2”	Ontario	Regal, Century, Grand Prix
Oshawa Truck	Ontario	Silverado, Sierra
Ford		
Oakville ⁽¹⁾	Ontario	Freestar, Monterey
Ontario Truck ⁽¹⁾	Ontario	F Series
St. Thomas ⁽¹⁾	Ontario	Crown Victoria, Grand Marquis, Marauder
Twin Cities	Minnesota	Ranger, B-series (Mazda)
Chrysler		
Brampton	Ontario	Concord, Intrepid, 300M, Magnum
Windsor Assembly	Ontario	Caravan, T&C, Pacifica
CAM I		
Ingersoll	Ontario	Chevrolet Tracker, Suzuki Vitara, Equinox
Honda		
Alliston	Ontario	Acura EL, Honda Civic, Honda Odyssey, Acura MDX, Honda Pilot, Ridgeline
Toyota		
Cambridge	Ontario	Corolla, Matrix, Lexus RX

⁽¹⁾ Plants access via joint section or interswitching agreement.

intermodal

INTERNATIONAL

CPR's international traffic is represented primarily by containerized traffic moving via the ports of Vancouver, Montreal, New York and Philadelphia to and from inland points across Canada and the U.S.

The import traffic that we carry from the Port of Vancouver is mainly long-haul business destined for eastern Canada, the U.S. Midwest and U.S. Northeast. Recent terminal investments and initiatives have enhanced CPR's strategic position for future growth. CPR's Trans-Pacific service offers the shortest route between the Port of Vancouver and Chicago. The Port of Montreal is a major year-round east-coast gateway with which CPR works in close co-ordination, primarily to serve Canadian and U.S. Midwest markets. The U.S. Northeast service connects eastern Canada with the ports of Philadelphia and New York as a competitive alternative to trucks.

In 2005, as a result of our competitive service, CPR experienced significant growth in container volumes handled between Vancouver and inland points in both Canada and the U.S. Midwest. We remained the leading provider of rail service to the container shipping lines that serve the Port of Montreal.

DOMESTIC

CPR's domestic intermodal segment primarily consists of long-haul intra-Canada and cross-border business. Key service factors in domestic intermodal include on-time service reliability, ability to deliver door-to-door and the provision of value-added services.

The majority of CPR's domestic intermodal business originates in Canada. We market our services directly to retailers, providing complete door-to-door service and maintaining direct relationships with our customers. This has enabled us to successfully develop significant partnerships with key retail customers, and has led to a number of these customers constructing major distribution warehouse facilities adjacent to CPR's primary intermodal terminals. This co-location extends CPR's role beyond that of a traditional railway by making us part of our customers' supply and logistics chains. In the U.S., we market most of our domestic intermodal services via intermodal marketing companies.

CPR has a modern network of 20 intermodal terminals and has expanded capacity in five strategic locations – Vancouver, Calgary, Chicago, Toronto and Montreal – since 1998 (see page 22 for intermodal terminal capacity).

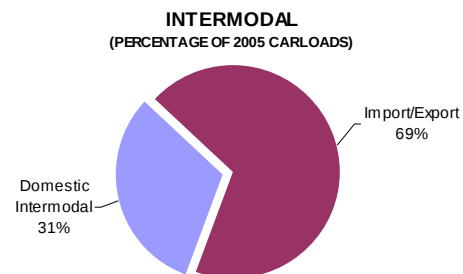
OUTLOOK

Over the long term, containerized trade of consumer products on a global scale is expected to continue to rise. CPR expects to see trans-Pacific growth from Asia continue as more companies source their merchandise from the Pacific Rim, particularly China. Strategically, CPR is well positioned to leverage this growth through the expansion of our Western Corridor and the expansion of terminal capacity in Vancouver.

Domestic intermodal traffic growth is expected to continue to grow due to driver shortages and rising fuel costs in the trucking industry, a general increase in consumer spending and growth in the Canada-U.S. trans-border markets.

EXPRESSWAY

CPR's Expressway is an innovative intermodal transportation system operating in the Montreal-Toronto corridor. We work in partnership with the trucking industry as a supplier to motor carriers and private fleet operators. The system uses a flexible drive-on, drive-off ramp system capable of handling a wide variety of trailers, including vans, flats, tankers and reefers, on specialized flatcars in dedicated trains. The resulting combination provides the trailers and their contents with a ride quality similar or superior to over-the-road transport. Expressway's market-driven schedules, competitive transit times and high productivity between major terminals in Montreal and Toronto (Milton and Agincourt) provide trucking companies a lower-cost alternative and the opportunity to redeploy scarce resources, such as drivers, to other areas.



canadian pacific logistics solutions

Canadian Pacific Logistics Solutions (“CPLS”) delivers high-performance solutions in the area of supply chain, logistics or facility management. Whether a customer is looking to improve service, increase margin or extend market reach, CPLS can help. With expertise that crosses industries as well as logistics disciplines, CPLS has the experience and knowledge to unlock the hidden value in a company’s supply chain, keeping its business efficient and competitive.

CPLS is a global, multi-modal provider of high-impact supply chain solutions, providing services that go beyond rail and right into the heart of our customers' businesses. Our experienced team works closely with companies to develop customized logistics and supply chain management solutions, backed by comprehensive risk management practices. The net result is increased margins, cost reductions and enhanced service levels for our customers.

Building on our expertise and supported by a range of leading-edge technologies, we work with customers to help achieve:

- Lower transportation, warehousing and manufacturing costs.
- Supply chain breakthroughs in speed, flexibility, efficiency and responsiveness.
- Reduced inventory costs and manufacturing lead times.
- Increased ROI through an integrated supply chain to strengthen a company's competitive position.
- Change management strategies to manage risk during implementation of new business solutions.

CANADIAN PACIFIC LOGISTICS SOLUTIONS TRANSLOAD FACILITIES



SUPPLY CHAIN CONSULTING

Understanding one's supply chain is critical but it can be difficult to get the needed perspective. Our experienced team of specialists works with customers to develop an in-depth knowledge of their current business practices. Using powerful analytical tools, we look deep into our customers' business, providing analysis, strategic recommendations and support for supply chain improvements and enhancements. Our supply chain consulting services include:

- Supply Chain Analysis and Assessment – simulates a customers' supply chain dynamics and evaluates multiple planning criteria with real-world variations to develop collaborative demand planning strategies and enable a wide range of transportation planning activities.
- Distribution Network Design – evaluates distribution network alternatives and develops a service plan to meet new competitive challenges and adapt to new market realities.

LOGISTICS MANAGEMENT

Inefficient logistics can drain a company's resources and impede the ability to compete. CPLS brings the right people, the right process and the right technology together to manage both simple and complex shipments within customers' supply chains.

Our logistics management services include:

- Distribution Requirements Planning – provides inventory and distribution plans to meet product demand forecasts.
- Transportation Planning – creates the optimal shipment plan to meet delivery commitments.

- Shipment Management – manages goods in transit across all providers, allowing maximum control of end-to-end shipments.
- Fleet/Asset Management – identifies the optimal utilization, size, lease arrangement and maintenance program for a customer's fleet.

FACILITY SERVICES

Supported by CPLS, CPR's network of more than 100 transload facilities across North America provides one-stop shopping for dock-to-dock transportation solutions. Drawing on the long-haul capabilities of the railway and the local market access of trucking, these facilities extend our reach to both rail and non-rail customers. In addition, our reach can be extended into Mexico and other areas through our business partner relationships.

Key business partners with demonstrated track records of delivering exceptional customer service operate our transload network. Our operators provide all the required equipment with experienced and responsive on-site managers to oversee all of these facilities.

In 2004, we established new facility locations in Lethbridge, Alberta (Machinery), Louisville, Kentucky (Liquid Bulk) and Windsor, Wisconsin (Coal).

Major commodities handled at our facilities include:

- Steel
- Lumber
- Paper
- Plastics
- Bulk
- Liquid Bulk
- Machinery

interline management

CPR's agreements and commercial arrangements with other rail carriers – short line, regional and Class 1 railways – extend our market reach to virtually all of North America. This extension of our network reach will build value for CPR customers, partners and shareholders well into the future.

Through these agreements and commercial arrangements, we are providing our customers more services and improved access across Canada, the U.S. and Mexico. CPR is also offering shippers truck-competitive access, customer service, reliability and pricing.

By continuously improving operating efficiencies between rail carriers, alliances are able to develop new business by extending rail services into markets that previously were beyond the reach of individual railways. As a result, rail carriers are shipping goods to new markets and moving goods that had traditionally been carried by trucks. Approximately half of CPR's business is either received from or handed off to other railways.

Our Interline Management group is dedicated to building our relations with other rail carriers and strives to make CPR their preferred business partner. The group is a cross-functional team working with both the operational and marketing parts of the CPR organization. The group is responsible for strategic and on-going interline matters that cut across commodity lines and train services, as well as for managing the Company's many inter-railway agreements.

We have working partnerships with all the major Class 1 railroads in the U.S. and with Transportacion Ferroviana Mexicana and Ferrocarril Mexicano in Mexico.

One successful alliance, with UP, operates under the "Can-Am" name. CPR and UP jointly design, market and operate the Can-Am corridors as a seamless service to our customers. These services dramatically reduce transit times through integrated operations and corridor-specific initiatives. Joint CPR/UP teams oversee the operations of the Can-Am corridors and make strategic decisions with respect to operations, marketing, technology and investment. Dedicated locomotives are custom equipped to operate in

Canada and the U.S. Co-production facilities and joint marketing and processes improve flow-through operations and allow for car-fleet optimization.

The Pacific Can-Am service provides rail transit for customers shipping between western Canada and North Dakota and the Pacific Northwest, California, the U.S. Southwest and Mexico. Commodities shipped under this service include grain, fertilizers and forest products. The Pacific Can-Am traffic volumes have significantly increased CPR's interchange traffic with UP since its introduction in 1999. In recognition of this ongoing traffic growth, in 2004 CPR and UP added additional capacity in this corridor through infrastructure investments and process enhancements.

We further expanded the Can-Am model in 2001 when CPR and UP launched the Midwest Can-Am service. This corridor transports goods and materials between western Canada and central and south-central U.S. and Mexico. Major commodities shipped in this corridor include industrial/chemical products, grain products and forest products. Growth has been very strong in this corridor, dramatically boosting interchange traffic with UP.

In late 2001, CPR and UP introduced Eastern Can-Am. This service moves goods and materials such as automotive, industrial products, forest products and intermodal traffic between eastern Canada and the U.S. Northeast and the U.S. western and southern regions and Mexico. Eastern CanAm traffic has also grown since the introduction of this service.

co-production

In 2004 and 2005, CPR entered into several new co-production agreements with other carriers as part of our strategy to increase capacity utilization. The participating railways achieve significant value by sharing selected routes and trackage.

The key co-production agreements developed in 2004 and 2005 were:

U.S. NORTHEAST OPERATIONS

In 2004, CPR and NS announced that both railways would be exchanging trackage rights, freight haulage and yard services to increase operational efficiency and enhance rail service to customers.

Under the arrangement, CPR and NS agreed to consolidate freight marshalling at yards in Buffalo and Binghamton, whereby CPR ceases yard operations in Buffalo, shifting all freight marshalling to the NS yard; similarly, NS shifts its yard operations in Binghamton to CPR's East Binghamton yard.

Under the terms of the new trackage rights and freight haulage arrangements:

- CPR acquires the ability to move NS freight traffic between Rouses Point and Saratoga Springs, New York, under a haulage arrangement. NS operates its own trains over CPR's line between Saratoga Springs and Binghamton under a trackage rights arrangement. The arrangements will generate higher revenue for CPR and provide NS with a substantially shorter route to Quebec and the Maritime provinces.
- CPR's freight traffic between Binghamton and Buffalo moves in NS trains under a haulage arrangement, replacing a trackage rights agreement under which CPR operated its own trains between the two cities. The arrangement reduces CPR's operating costs and generates additional revenue for NS.
- CPR operates over a new NS route using existing rail lines between Detroit and Chicago under a trackage rights agreement. It is the shortest rail route between the two cities and provides CPR with a faster, lower-cost lane.

In the same year, CPR, NS and CN also announced an agreement to significantly improve freight service between eastern Canada and the eastern U.S.

The three-party arrangement gives CN and NS a seamless, direct north-south routing over CPR's lines south of Montreal that slice as much as two days' transit time off some 20,000 annual shipments. It also increases freight traffic density and revenues on the D&H, CPR's wholly-owned subsidiary.

CN-NS traffic destined for the eastern U.S. moves in CPR trains on CPR's line between Rouses Point and Saratoga Springs under a freight haulage arrangement between CPR and NS. This CN-NS traffic then moves in NS trains over CPR's line between Saratoga Springs and the NS connection near Harrisburg under a trackage rights agreement between CPR and NS.

The new agreement cuts 330 miles off the old routing, which saw freight traffic handled more circuitously through the Buffalo gateway.

This initiative takes costs out of the rail industry by placing freight traffic on the most efficient routing without regard to ownership. It also creates a significant source of new earnings for the D&H and is another major milestone in improving the profitability and value of this part of CPR's network.

BRITISH COLUMBIA, ALBERTA AND ONTARIO OPERATIONS

In late 2004, CPR and CN announced three additional network initiatives that improve railway transit times and asset utilization in British Columbia, Alberta and Ontario.

These provide for:

- A slot-sharing arrangement allowing CPR to move eight trains a week of bulk commodities over CN's line between Edmonton and CPR's network at Coho, British Columbia, near Kamloops, a distance of about 550 miles. Under the arrangement, trains are equipped with CPR locomotives and operated by CN crews. At Coho, CPR trains enter already-established directional running trackage that sees all westbound trains of both railways move through the Fraser Valley on CN's line and all eastbound trains move on CPR's line.
- Directional running over about 100 miles of parallel CPR and CN track in Ontario between Waterfall, near Sudbury, and Parry Sound. The two railways operate eastbound trains over the CN line and westbound trains over CPR's line, improving network fluidity in this corridor.

- A haulage arrangement, with CN freight moving over about 300 miles of CPR track in Ontario between Thunder Bay and a junction with CN at Franz using CPR's route north of Lake Superior.

PORT OF VANCOUVER OPERATIONS

In 2004, CN and CPR also announced a series of agreements to make rail operations more efficient for Port of Vancouver freight traffic.

The agreements jointly increase capacity on key sections of track in the Vancouver area to improve the fluidity of rail operations over existing infrastructure, thereby improving service to shippers using Canada's largest, busiest and most diversified port.

The agreements provide:

- improved access for CPR to intermodal facilities at Fraser Surrey Docks using a shorter route over CN's main line;
- reciprocal access to the North and South shores, with CPR potash trains having direct access to Neptune Terminals and CN sulphur trains having direct access to Pacific Coast Terminals;

- the option for CPR to operate longer, heavier trains to Vancouver's North Shore under existing access agreements;
- a reciprocal interchange at CN's Thornton Yard and CPR's Coquitlam Yard that replaces a less efficient interchange arrangement; and
- further interchange enhancements for North Shore freight traffic that include BC Rail traffic.

These agreements demonstrate our commitment to provide the level of service and efficiency that will help shippers take advantage of the significant growth in trade with Pacific Rim nations, strengthen Canada's vital import-export economy and bolster the competitiveness of our key British Columbia port. By working cooperatively to make rail service more efficient, we also improve network and equipment utilization and increase productivity on existing infrastructure.



human resources

One hundred and twenty-five years ago, we used ingenuity and pure tenacity to build North America's first transcontinental railway. The men and women of Canadian Pacific Railway are still making history today. We are continuing to find new and better ways to improve productivity and drive operational excellence.

THE CPR WORKFORCE

One hundred and twenty-five years ago, we used ingenuity and pure tenacity to build North America's first transcontinental railway. The men and women of Canadian Pacific Railway are still making history today. We are continuing to find new and better ways to improve productivity and drive operational excellence.

Our people have continued to improve productivity while expanding capacity. Since 2001, when CPR became an independently traded company, operating income per employee has increased by 23 %. During this time, the amount of goods moved per employee, as measured by Gross Ton Miles per employee, has also increased by 17 %. This has been achieved while significantly expanding network capacity through the Western Corridor expansion project.

The number of CPR employees at December 31, 2005, was 15,637. About 80 % of CPR's workforce is located in Canada. Approximately 78 % of the workforce is unionized. There are 36 bargaining units in total: seven representing CPR employees in Canada and the remaining 29 bargaining units representing employees at CPR's U.S. operations.

We have various policies and programs in place that assist our employees in achieving objectives, developing their skills, operating in an ethical manner, recognizing their contributions and creating a fair and equitable workplace while managing costs.

VALUING DIVERSITY

The Employee Relations group develops and directs the various initiatives that support a respectful work environment and meet legislative requirements. The group is available as a confidential resource to all employees, supervisors and union representatives dealing with employment-related issues and offers information and awareness sessions on: diversity and employment equity; discrimination and harassment; complaint handling; respect in the workplace; and preventing and managing violence in the workplace.

In 2005, CPR was ranked by Mediacorp Canada Inc. and named in Maclean's magazine as one of Canada's top 100 employers to work for. Media Corp grades the organizations in eight areas, including the physical workplace, work and social atmosphere, and health, financial and family benefits.

Also, through the Employment Equity Audit process, the Company was found by the Canadian Human Rights Commission (CHRC) to have "established an excellent foundation" for a more equitable workplace.

Our diversity initiatives continue to grow in Canada and the U.S. and include: employment outreach; employment equity and diversity advisory panels; respect in the workplace awareness sessions; job shadowing and mentoring; a women's forum, career development and succession planning; and joint union/management initiatives through Employment Equity and Human Rights committees.

Federally regulated employers falling under the Canadian Employment Equity Act are monitored and assessed on an annual basis by Human Resources and Skills Development Canada (HRSDC) based on six indicators that reflect the situation of each designated group in a company's workforce at the end of the reporting year. In 2005, HRSDC rated CPR's performance as average to less than average for women, good for persons with disabilities, good for visible minorities and superior for Aboriginal peoples. At CPR (Canada):

- 9.6 % of total staff are women;
- 3.6 % are aboriginal;
- 4.8 % are persons with a disability and;
- 7.0 % are visible minorities.

Of the senior leadership, there is one woman among the 10 directors and two women among the nine executive committee members.

QUALITY OF WORK LIFE

CPR recognizes the benefits of a healthy workforce and promotes an active lifestyle for its employees by contributing to employee wellness through its Corporate Wellness Program, the Corporate Fitness Subsidy Program and flexible health benefits.

The Corporate Wellness Program incorporates personal health information aimed at awareness and prevention and specific interventions for certain risk factors and health issues.

CPR offers flexible working arrangements such as part-time hours, contract work, flexible hours of the workday, telecommuting and other workplace accommodations to the mutual benefit of employees and CPR. In 2005, CPR received an award from the International Disability Management Standards Council for its joint union/management return to work program.

The Employee and Family Assistance Program provides confidential advisory and referral services for personal and family concerns. Examples of assistance include help for substance abuse, gambling, workplace trauma, mental health and financial problems. These services are available to all employees, pensioners and their family members.

Leaves of absences include short-term and long-term disability, maternity/parental leave, compassionate care, bereavement, military training and jury duty. In addition, the Flexible Benefits Program in Canada allows employees to purchase additional days off.

PERFORMANCE MANAGEMENT AND PAY FOR PERFORMANCE

CPR's compensation approach ensures employees are fully aligned with the Company's vision and business goals. All employees are aware of what needs to be done at the individual level to assist in the accomplishment of corporate objectives.

For non-unionized employees, performance planning cascades the overall corporate mission and objectives into departmental goals and individual objectives. The Performance Incentive Plan ties both corporate and individual objectives to individual bonus payments.

For unionized employees, Incentive Compensation Programs provide bonuses to teams of employees who create and accomplish objectives that realize savings or efficiency in operations. Unionized incentive compensation programs promote management-union cooperation and create a more positive work environment by encouraging ideas, innovation and teamwork. In 2005, CPR had incentive compensation programs in place with six of seven Canadian bargaining units.

Since 1998, through the realization of objectives, the programs have collectively paid out an estimated \$57 million to unionized employees and produced over \$85 million in total net cost savings for CPR.

BENEFITS MANAGEMENT

In the face of rapidly escalating health care costs, CPR has introduced tax-effective and cost-effective approaches to benefits in both Canada and the U.S.

CPR has generated long-term savings in our Canadian union and non-union benefits plans through plan design changes, the introduction of cost sharing, and the consolidation of all Canadian union and non-union benefits plans with a single insurance carrier. Similarly in the U.S., in order to take advantage of economies of scale, CPR is establishing relationships with medical professionals and institutions to ensure continued high-quality and cost-effective medical coverage for employees and pensioners. CPR's 2005 benefits inflation was held to 0.9%, far below industry average.

While controlling costs, CPR has improved the flexibility of the several benefits programs, so employees have more benefits options to suit their individual needs now and as their needs change in the future. As well, CPR is providing employees with more tax effective benefit options, such as health spending accounts, to maximize their benefit dollars.

RECOGNITION FOR CONTRIBUTION

CPR's Ingenuity and Achievement Awards allow employees and managers alike to nominate other employees for bronze, silver or gold awards for a broad range of business-related reasons. Gold Award recipients are additionally eligible for the annual presentation of the prestigious President's Awards. During 2005, 1,290 employees received silver awards and 271 individuals received gold awards. In early spring 2005, 49 employees were honoured with the President's Award. Improvements recognized included co-production partnerships with other railways to maximize operational performance, negotiated contract outcomes, yield management, fuel conservation and safety improvements.

A STAKE IN THE BUSINESS – OWNERSHIP BY EMPLOYEES

Senior managers are motivated to meet shareholder objectives through the Management Stock Option Program and share ownership requirements. A portion of senior managers' options is performance based, requiring the attainment of specific financial targets for accelerated vesting. Depending on the position, the ownership requirements range from one times the senior officer's annual salary to four times, in the case of the President and Chief Executive Officer.

CPR's Employee Share Purchase Plan increases employee ownership in the Company. The Plan allows employees to contribute up to 10 % of their base salary or wages towards the purchase of Company shares. CPR matches \$0.33 for every dollar of the employee's contribution up to 6 % of their base salaries or wages. Since introduction, the plan has enjoyed a participation rate in excess of 55 %, with employee holdings exceeding \$85 million as of December 2005.

COMMUNICATION

Employees are kept abreast of important issues and events of the day through our daily Company-wide email newsletter, Inside Track; our internal Web site, RailTown; and the quarterly publication, Momentum. Through these various vehicles, employees are informed of industry-wide, corporate and departmental issues and are able to provide feedback and ask questions.

The Company values the feedback it receives from its employees and conducts biannual employee surveys. The 2004 survey indicated a significant overall improvement in employee engagement.

A 2005 leadership engagement pulse survey indicated that CPR leadership engagement rivals that of the 50 best employers in Canada.

INDIVIDUAL DEVELOPMENT

The Performance Development and Planning Program is a mechanism for discussing employees' short- and long-term career goals and a method to match these goals with departmental succession plans. Development of high-potential employees receives significant attention at all levels. Financial assistance is also available for those pursuing relevant part-time university and college programs.

MANAGING FOR THE FUTURE

To ensure quality employees in the future, CPR has established innovative partnerships with various colleges for roles such as train conductors and signals personnel. Partnerships currently exist with SAIT, BCIT, George Brown College and College Godin in Canada and Dakota County Technical College in the U.S.

In 2005, CPR hired 1,300 employees for retirement replacement, normal attrition and network expansion. CPR maintains detailed workforce plans to manage future workforce needs in key areas and takes a proactive approach to managing leadership talent through a robust talent management and succession planning process.

Our employee voluntary turnover rate of 2.5 % in 2005 is much lower than workforce averages.

COLLABORATIVE LABOUR RELATIONS

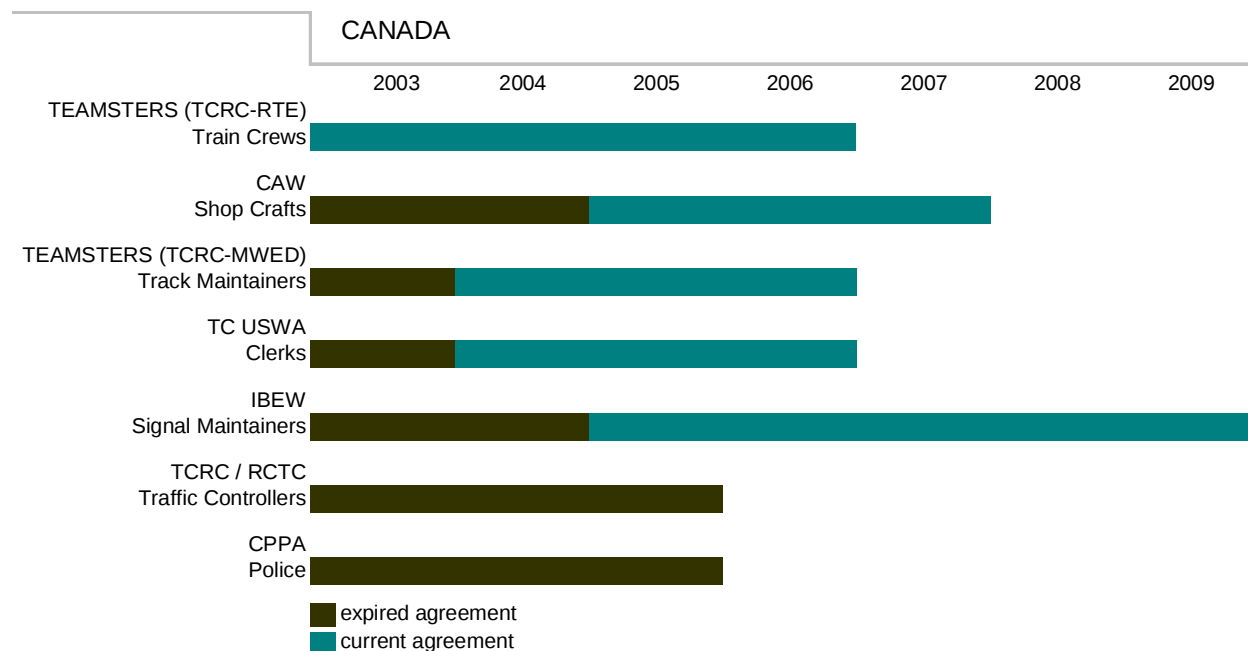
Through training, education, the development of contract administration guides and various forms of dispute resolution, Labour Relations has reduced the number of active grievances in 2005 by 23 % in Canada and 51 % in the U.S.

Bargaining is ongoing with various unions in Canada and at the Soo Line (U.S.) and the D&H (U.S.). Recent developments and a listing of all the unions at CPR and their contract expiry dates are outlined below.

CANADA

On September 16, 2005, members of the International Brotherhood of Electrical Workers (IBEW) System Council #11, representing approximately 400 signal maintenance employees, ratified a five-year agreement with CPR extending through to December 31, 2009. Earlier in 2005, CPR achieved agreements with the Teamsters Canada Rail Conference (TCRC-MWED), representing track maintenance employees, and the Teamsters Canada Rail Conference (TCRC-RTE), representing train and engine crews.

Both agreements extend through to December 31, 2006. CPR also achieved an agreement with the Canadian Autoworkers (CAW), representing car and locomotive repair employees, extending through to December 31, 2007.



SOO LINE (U.S.)

Following the 2005 resolution of the 2000 National Railroad negotiations (in which Soo Line does not participate), the Soo Line reached agreements with all unions except the locomotive engineers (BLET). The Soo Line arbitrated the provisions of the agreement with the locomotive engineers (BLET) in November 2005 and was settled in January 2006.

In November 2004, agreements with all unionized employees opened up for re-negotiation, except for the train dispatchers (ATDA), whose agreement expired at the end of 2005, and the yardmasters (UTU-Y), whose agreement expires at the end of 2008.

Renewal negotiations have commenced and until new agreements are reached, existing agreements continue to apply.

SOO LINE

unit	description	contract expiry date
Brotherhood of Locomotive Engineers – Teamsters (“BLE-T”)	Locomotive engineers	Dec. 31, 1999
National Conference of Firemen & Oilers	Mechanical labourers	Dec. 31, 1999
Soo Line Locomotive & Car Foremen Association	Locomotive/Car foremen	Dec. 31, 1999
International Brotherhood of Blacksmiths & Boilermakers	Boilermakers	Dec. 31, 1999
Sheet Metal Workers International Association	Sheet metal workers	Dec. 31, 1999
American Railway Supervisor Associations/Police	Police	Dec. 31, 1999
International Association of Machinists	Machinists	Dec. 31, 2004
International Brotherhood of Electrical Workers	Electricians	Dec. 31, 2004*
United Transportation Union	Train service employees	Dec. 31, 2004
Brotherhood of Maintenance of Way Employees – Teamsters	Track maintainers	Dec. 31, 2004
Transportation Communication International Union (“TCU”)	Clerks	Dec. 31, 2004
Brotherhood of Railway Signalmen	Signal maintainers	Dec. 31, 2004
Brotherhood of Railway Carmen (“BRC”)	Car repair employees	Dec. 31, 2004
American Train Dispatchers Association	Train dispatchers	Dec. 31, 2005
United Transportation Union – Yardmasters	Yardmasters	Dec. 31, 2008**

*subject to ratification.

**subject to ratification; standby to national 2005 agreement.

DELAWARE AND HUDSON RAILWAY (U.S.)

In 2005, agreements were reached with four of the five D&H bargaining units whose contracts expired at the end of 2001 and 2002. The locomotive engineers (BLET) extend through 2006, and the mechanical supervisors (ARASA-M), mechanical labourers (NCFO), machinists (IAMAW), and sheet metal workers (SMWIA) extend through 2008. The engineering supervisors, whose agreement expired at the end of 2001, have yet to reach agreement after having a failed ratification vote in late 2004.

At the end of 2004, four agreements opened up for re-negotiation. Of these, the police reached agreement in 2005 extending through 2008. D&H has commenced bargaining with the yardmasters (UTU-Y), train service employees (UTU) and track maintainers (BMWED). Until new agreements are reached, existing agreements continue to apply.

D&H

unit	description	contract expiry date
American Railway Supervisor Associations/Engineers	Engineering supervisors	Dec. 31, 2001
International Association of Machinists	Machinists	Dec. 31, 2008
International Brotherhood of Electrical Workers	Electricians	Dec. 31, 2006
National Conference of Firemen & Oilers	Mechanical labourers	Dec. 31, 2008
Sheet Metal Workers International Association	Sheet metal workers	Dec. 31, 2008
Brotherhood of Maintenance of Way Employees – Teamsters (BMWED)	Track maintainers	Dec. 31, 2004
United Transportation Union – Yardmasters	Yardmasters	Dec. 31, 2004
United Transportation Union	Train service employees	Dec. 31, 2004
Allied Services Division/Police	Police	Dec. 31, 2008
Brotherhood of Locomotive Engineers – Teamsters (“BLET”)	Locomotive engineers	Dec. 31, 2006
Brotherhood of Railway Carmen	Car repair employees	Dec. 31, 2007
Brotherhood of Railway Signalmen (“BRS”)	Signal maintainers	Dec. 31, 2007
Transportation Communication International Union (“TCIU”)	Clerks	Dec. 31, 2007
American Railway Supervisor Associations/Mechanical (“ARSA-M”)	Mechanical supervisors	Dec. 31, 2008

forward-looking information

This Corporate Profile and Fact Book contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (United States) relating but not limited to CPR's operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan" or similar words suggesting future outcomes.

Readers are cautioned to not place undue reliance on forward-looking information because it is possible that we will not achieve predictions, forecasts, projections and other forms of forward-looking information. In addition, we undertake no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise.

By its nature, our forward-looking information involves numerous assumptions, inherent risks and uncertainties, including but not limited to the following factors: changes in business strategies; general global economic and business conditions; the availability and price of energy commodities; the effects of competition and pricing pressures; industry overcapacity; shifts in market demands; changes in laws and regulations, including regulation of rates; potential increases in maintenance and operating costs; uncertainties of litigation; labour disputes; timing of completion of capital and maintenance projects; currency and interest rate fluctuations; effects of changes in market conditions on the financial position of pension plans; various events that could disrupt operations, including severe weather conditions; and technological changes.

The performance of the North American and global economies remains uncertain. Factors over which CPR has no control, such as weather conditions and insect populations, affect crop production and yield in CPR's grain collection areas. Fuel prices also remain uncertain, as they are influenced by many factors, including worldwide oil demand, international politics and the ability of major oil-producing countries to comply with agreed-upon production quotas.

The sustainability of recent increases in the value of the Canadian dollar relative to the U.S. dollar is unpredictable, as the value of the Canadian dollar is affected by a number of domestic and international factors, including, among other things, economic performance and government monetary policy.

There is also uncertainty with respect to security issues involving the movement of goods in populous areas of the U.S. and Canada and the protection of North America's rail infrastructure, including the movement of goods across the Canada-U.S. border.

New rules governing railway mergers were established by the U.S. Surface Transportation Board ("STB") in 2001. The new rules have broadened the scope of competition-enhancing conditions that the STB may impose in connection with railway mergers and will likely result in increased scrutiny by the STB of proposed railway mergers.

Draft legislation amending the Canada Transportation Act, introduced in Parliament in late March 2005, was terminated when Parliament was dissolved on November 29, 2005. No assurance can be given as to the timing, content or effect on CPR of future legislation.

Other factors relevant to forward-looking statements are contained in CPR's annual and interim Management's Discussion and Analysis and other documents and press releases filed with or provided by CPR to securities regulatory authorities in Canada and the U.S. from time to time.

glossary

ACTIVE EMPLOYEE

Employees actively employed by the railway. Excludes employees who are not working for reasons other than normal vacation or short-term leaves, and individuals who have a continued employment relationship with CPR but are not currently working.

AVERAGE TRAIN WEIGHT

The average total weight (freight car tare plus content) of all trains operated in the period over CPR's track and track on which CPR has running rights.

CLASS 1 RAILROAD

A railroad having operating revenues of more than US\$258.5 million annually.

CLASSIFICATION YARD

A rail facility where cars are grouped together according to their destination and marshalled into a train.

CONTAINER

A large, weatherproof box designed for shipping and/or transferring freight between rail, truck or marine modes.

GROSS TON-MILES

The movement of the combined tons (freight car tare, inactive locomotive tare, and contents) a distance of one mile.

HAULAGE

The right of one railway to have another railway transport freight over that railway's tracks, using the other's crews and usually its locomotives.

INTERMODAL SERVICE

Freight moving via two or more modes of transport. Import/export containers generally move via marine and rail, while domestic intermodal typically utilizes truck and rail.

MAINLINE ROUTE

The primary rail line over which trains operate from terminal to terminal.

METRIC TONNE

A metric tonne is 2,204.6 pounds.

MILES OF ROAD OPERATED

The route mileage of all rail lines over which the Company operates, excluding track on which CPR has haulage rights.

OPERATING PLAN

The operating plan describes in detail all of the activities needed to provide the required level of dock-to-dock service. These include train scheduling, train design, locomotive cycling plans, major yard car processing plans and contingency plans.

OPERATING RATIO

The percentage of revenues expended in operating the railway. It is calculated by dividing operating expenses by operating revenues.

REVENUE TON-MILE

The movement of one revenue-producing ton of freight one mile.

SHORT LINE

A railway that cannot be classified as a Class 1 or regional railway.

TRACK CAPACITY

The maximum number of trains that can operate safely over a given segment of track during a specified time period (e.g., one day). Factors such as signal systems, siding lengths, number of tracks and geography all have an impact on track capacity.

TRANSLOAD FACILITY

A transfer facility enabling the railway to expand market reach through truck-to-rail service.

WARRANTY SERVICE AGREEMENT

A contracted service whereby a locomotive manufacturer undertakes management of locomotive repair and servicing functions using the facilities and employees of CPR.



investor relations

Financial information, including CPR's Corporate Profile and Fact Book, is available on CPR's website www.cpr.ca, or by e-mail at investor@cpr.ca, or (403) 319-3591, or by writing to:

Janet Weiss, Assistant Vice-President,
Investor Relations,
Canadian Pacific Railway, Suite 500,
Gulf Canada Square,
401 - 9th Avenue S.W.,
Calgary, Alberta Canada T2P 4Z4

communications and public affairs

Paul Clark, Vice-President,
Communications and Public Affairs,
Canadian Pacific Railway, Suite 500,
Gulf Canada Square,
401 - 9th Avenue S.W.,
Calgary, Alberta Canada T2P 4Z4

shareholder services

Shareholders who have inquiries or wish to obtain copies of the Company's Annual Information Form may contact Shareholder Services at 1-866-861-4289 or (403) 319-7538, or by e-mail at shareholder@cpr.ca, or by writing to:

Shareholder Services,
Office of the Corporate Secretary,
Canadian Pacific Railway, Suite 900,
Gulf Canada Square,
401 - 9th Avenue S.W.,
Calgary, Alberta Canada T2P 4Z4

